

41st

ANNUAL REPORT

OF

THE BOMBAY STATE

CO-OPERATIVE BANK

LIMITED

1951-52

SIR VITHALDAS D. THACKERSEY
MEMORIAL BUILDING
9 BAKEHOUSE LANE, FORT, BOMBAY.

With the Compliments of

Shri V. P. Varde

Managing Director

**THE BOMBAY STATE
CO-OPERATIVE BANK LTD.**

**9, Bakehouse Lane,
Fort, BOMBAY 1.**

THE
Bombay State Co-operative Bank Ltd.
(ESTABLISHED IN 1911)

ANNUAL REPORT
on the working for the year
1951-52

SIR VITHALDAS D. THACKERSEY MEMORIAL BUILDING,
9. BAKEHOUSE LANE. FORT.
BOMBAY.

THE BOMBAY STATE CO-OPERATIVE BANK LIMITED.

BRANCHES.

District South Satara:

Islampur.
Kirloskarwadi.
Shirala.
Vita.
Atpadi.

District Nasik:

Nasik.
Lasalgaon.
Malegaon.
Nandgaon.
Yeola.
Ghoti.
Manmad.
Satana.
Kalwan.
Sinnar.

District Kolaba:

Panvel.

District Thana:

Bhiwandi.
Kalyan.
Palghar.
Murbad.
Dahanu.

District Dangs:

Ahwa.

District Ahmednagar:

Ahmednagar.
Shrirampur.
Belapur Town.
Kopargaon.
Pathardi.
Rahuri.
Sangamner.
Shevgaon.
Vambori.
Newasa.
Shrigonda.

District North Satara:

Satara.
Koregaon.
Wai.

District Sholapur:

Akluj.
Natepute.

District West Khandesh:

Dhulia.
Dondaicha.
Nandurbar.
Sakri.
Shahada.
Nardana.
Shirpur.
Sindkheda.
Taloda.
Navapur.

District Ratnagiri:

Sawantwadi.
Kudal.

District Kolhapur:

Kolhapur.
Gadhinglaj.

District Ahmedabad:

Viramgam.
Dhandhuka.

District Panchmahals:

Godhra.
Devgad-Baria.
Santrampur.

District Sabarkantha:

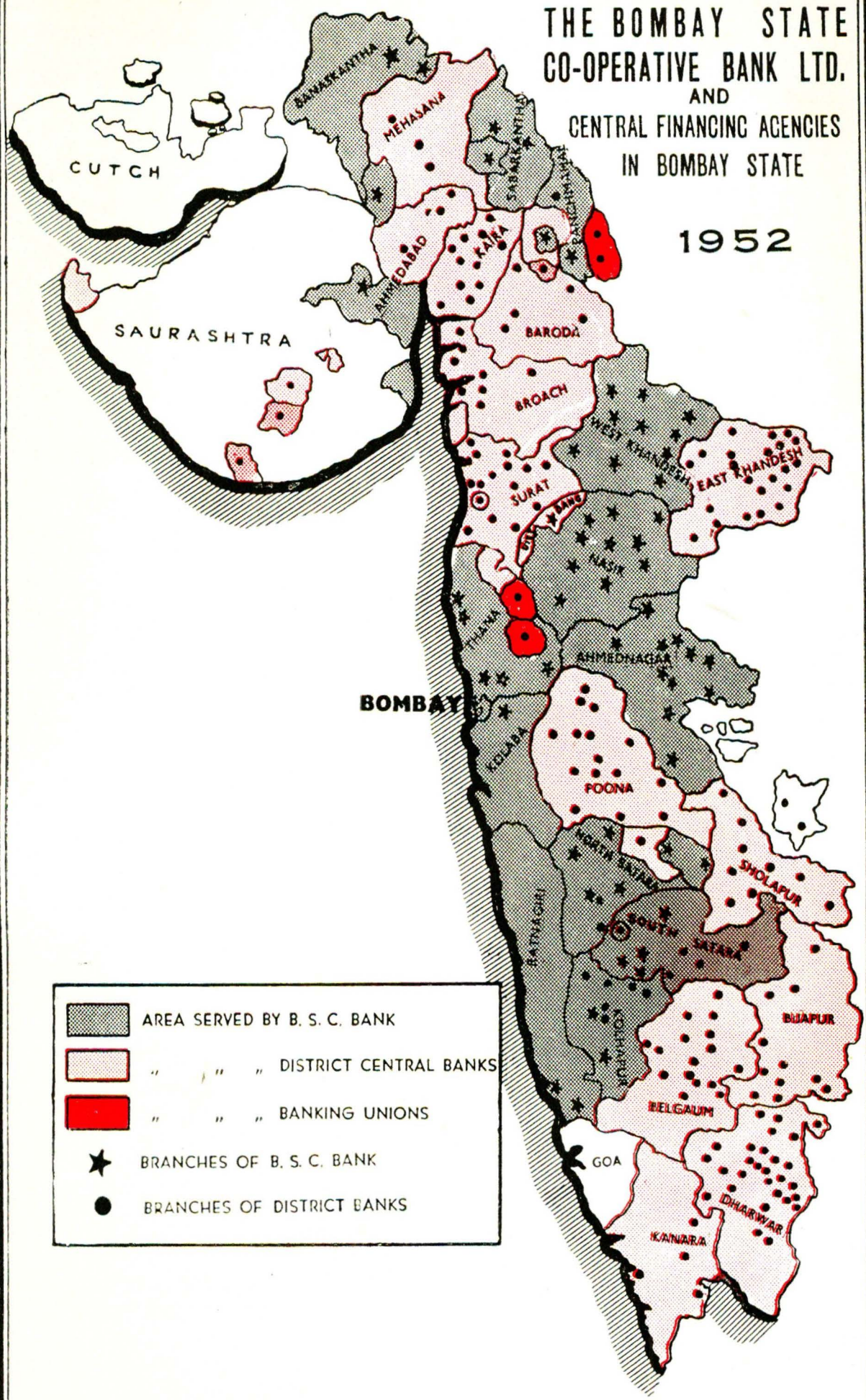
Himatnagar.
Talod.
Modas.

District Banaskantha:

Palanpur.
Deesa.

MAP SHOWING OFFICES OF
 THE BOMBAY STATE
 CO-OPERATIVE BANK LTD.
 AND
 CENTRAL FINANCING AGENCIES
 IN BOMBAY STATE

1952



- AREA SERVED BY B. S. C. BANK
- " " " DISTRICT CENTRAL BANKS
- " " " BANKING UNIONS
- BRANCHES OF B. S. C. BANK
- BRANCHES OF DISTRICT BANKS

THE BOMBAY STATE CO-OPERATIVE BANK, LIMITED.

(Registered under the Co-operative Societies Act X of 1904, replaced by the
Bombay Co-operative Societies Act, VII of 1925.)

AUTHORISED CAPITAL	Rs. 1,50,00,000
SUBSCRIBED AND PAID-UP CAPITAL	59,18,600
TOTAL RESERVE AND OTHER FUNDS	39,27,000
TOTAL WORKING CAPITAL	12,17,61,000

Board of Directors:

Sri R. G. SARAIYA, Chairman

Sri Janardan A. Madan, Bombay	Sri C. A. Vyas, Nadiad, Kaira
„ Jyotendra L. Mehta, Bombay	„ R. J. Amin, Mehsana
„ Gordhandas G. Morarji, Bombay	„ L. M. Shrikant, Dohad
„ R. V. Vandekar, Nasik	„ R. B. Aravade, Sangli
„ S. P. Pandit, Sirsi, N. Kanara	„ D. V. Potdar, Poona
„ F. B. Laxmeshwar, Dharwar	„ V. B. Govankop, Dharwar
„ P. B. Ugargol, Belgaum	„ N. N. Shaha, Jambusar
„ L. C. Gandhi, Surat	„ G. M. Laud, Bombay
„ S. V. Ijery, Bijapur	„ A. H. Kaji, Bombay
„ B. J. Patel, Baroda	„ W. G. Patil, Nasik
„ Dahyabhai A. Patel, Ahmedabad	„ V. L. Jagtap, Ahmednagar
„ Y. D. Khole, Poona	„ D. N. Purohit, Viramgaon
„ R. D. Hajiseth, Broach	„ D. J. Zunzarrao, Thana
„ S. D. Patil, Jalgaon	„ P. R. Patil, West Khandesh
„ N. M. Vajirkar, Sholapur	„ K. V. Vichare, Satara

The Secretary to the Government of Bombay, Finance Department.

The Registrar, Co-operative Societies, Bombay State, Poona.

Sri D. R. Gadgil (Financial Expert).

Sri V. P. VARDE, Hon. Managing Director

Chief Accountant:

B. V. Halbe

Manager:

Y. B. Gaitonde

General Manager:

V. M. Thakore

Solicitors:

Messrs. Payne & Co.

Auditors:

Messrs. K. S. Aiyar & Co.

THE BOMBAY STATE CO-OPERATIVE

Balance Sheet as at

CAPITAL AND LIABILITIES :		Rs.	as. ps.
1. CAPITAL :			
Subscribed and Paid-up Share Capital.	...	59,18,600	0 0
Bombay State Government Contribution to Share Capital of Central Financing Agencies (per contra)	... ..	5,75,000	0 0
2. FUNDS :			
Statutory Reserve Fund.	Rs. 14,01,048	0 0	
Other Funds.	... ..	Rs. 25,26,245	8 4
		39,27,293	8 4
3. 4% MORTGAGE DEBENTURES.	... ..	6,50,000	0 0
4. LOAN FROM BOMBAY STATE GOVERNMENT FOR CLOTH AND YARN	... ..	6,00,000	0 0
5. ADVANCES FROM RESERVE BANK OF INDIA.	...	1,20,00,000	0 0
6. ADVANCES FROM RESERVE BANK OF INDIA, FOR CENTRAL FINANCING AGENCIES (per contra)	...	1,48,34,000	0 0
7. DEPOSITS :			
(a) Fixed	... ..	Rs. 1,87,62,665	3 8
(b) Current and Savings	... ..	Rs. 5,50,37,318	11 2
(c) Call Deposits	... ..	Rs. 7,80,600	0 0
		7,45,80,583	14 10
8. STAFF PROVIDENT FUND.	... ..	12,22,453	4 4
9. BILLS FOR COLLECTION (per contra)	... ..	10,53,642	13 7
10. INTEREST PAYABLE.	... ..	3,43,995	9 1
11. BRANCH ADJUSTMENTS.	... ..	40,98,313	3 5
12. SUNDRIES (Including Unclaimed Dividends)	... ..	11,50,546	5 5
13. PROFIT AND LOSS ACCOUNT.	... ..	8,07,035	7 2
TOTAL :		12,17,61,464	2 2

BANK, LIMITED, BOMBAY.

30th June, 1952.

PROPERTY AND ASSETS :						Rs.	as.	ps.
1. CASH :								
On hand and with Bankers.	...	...	...	...		79,30,963	13	5
2. INVESTMENTS :								
In Government and Trustee Securities and Authorised Shares	...	...	...	...		4,34,69,064	11	11
3. GOVERNMENT CONTRIBUTION TO SHARE CAPITAL OF C. F. A.s. (per contra)								
	...	...	...	...		5,75,000	0	0
4. LOANS, CASH CREDITS AND OVERDRAFTS :								
(A) To Co-operative Societies and Banks :						Rs.	as.	p.
(a) Long Term Loans.	...					22,077	0	6
(b) Intermediate Term Loans.						38,074	6	0
(c) Short Term Loans.	...					2,11,13,656	5	10
(d) Cash Credits.	...	...				61,50,103	3	2
(e) Overdrafts against Govt. and Trustee Securities.	...					80,64,883	6	1
(f) Other Advances.	...					82,57,225	5	8
(g) Advances to Central Financing Agencies arranged with Reserve Bank of India (per contra).						1,48,34,000	0	0
						5,84,80,019 11 3		
(B) Advances to Individuals.	...	...	...			64,44,149	12	3
5. BILLS RECEIVABLE (per contra)								
	...	...	...			10,53,642	13	7
6. INTEREST RECEIVABLE.								
	...	...	...			6,88,277	9	1
7. INLAND BILLS PURCHASED.								
	...	...	...			17,09,670	2	0
8. BRANCH ADJUSTMENTS.								
	...	...	...			7,26,068	8	6
9. SUNDRIES.								
	...	...	...	...	...	2,94,572	2	5
10. SAFE AND FURNITURE								
	...	...	...	...	...	1,61,798	14	0
11. LAND AND BUILDINGS.								
	...	...	...			2,28,235	15	0
TOTAL :						12,17,61,464	2	2

The Bombay State Co-operative Bank Limited.

ANNUAL REPORT FOR THE YEAR ENDING
30th JUNE, 1952

I have the pleasure in presenting the Forty-first Annual Administration Report of the Bombay State Co-operative Bank, Ltd., for the financial year ending 30th June, 1952.

During the year under review there was a change in the name of the Bank from "Provincial" to "State" Co-operative Bank in accordance with the amendment adopted by the General Meeting.

2. During recent years and especially since the realisation of Independence of India, there has been an attempt on the part of the State Government to harness the co-operative movement for the improvement of agriculture and for raising the standard of living of the masses. Enthusiasm and initiative on the part of the people in this State to stimulate co-operative enterprise in all fields of their economic activity are evident. The co-operative movement with the assistance of the State, has made great strides not only in the number of co-operative institutions but also in their variety of organisation and sphere of their activities, as also in the volume of their business. It has been recognised that for an agricultural economy like that of India, where the productive units are very small farms of three to five acres on an average, co-operative organisation offers the best scope for development. So also there is greater realisation that in the matter of supplying the necessities of the farmer, like seed, fertilisers and implements for intensive cultivation or in the matter of supplying consumer goods to the consumers, co-operative organisations are economical and more effective. Co-operative movement is being brought into greater use as an instrument for the execution of the State policy not only for the benefit of their members but for the community at large, as in case of distribution of controlled commodities like foodgrains, textiles, iron etc. In the Bombay State, the co-operative movement, through the Agricultural Credit institutions, has assumed the responsibility of providing credit to credit-worthy agriculturists. The State Co-operative Bank with the close association of the Central Financing Agencies and the primaries on the one hand and the State Government on the other, has assumed responsibility to provide credit to credit-worthy agriculturists for seasonal agricultural and marketing operations in addition to its normal responsibility to provide short term finance to all types of co-operative organisations in this State.

Outstanding Events:

3. During the year under review, the first Session of the Indian Co-operative Congress was held in Bombay in February 1952 under the Chairmanship of late Shri H. L. Kaji, President of the All India Co-operative Union. The Hon'ble Shri K. M. Munshi, Minister for Food and Agriculture, Government of India, who inaugurated the Congress, drew pointed attention to the importance of the co-operative movement duly orientated and concentrated on farming, to overcome the greatest obstacle in the drive for production, viz., the "smallness of our holdings associated with a very low level of farming efficiency" and to fulfil the imperative need to "utilise land, water, man and cattle resources to transform our neglected, fast corroding 240 million acres of cultivable land in the shortest space of time." The Congress in its Resolutions emphasised the role the co-operative movement could play "in formulating and implementing programme of re-organisation and development in the working of the Five Year Plan."

4. Shri R. G. Saraiya, Chairman of the Bank, was invited by the Committee of the Commonwealth Conference on Agricultural Co-operation held at Oxford in July 1951 to present a Paper for discussion on "Co-operation and the State." Owing to pressure of other work Shri Saraiya could not attend the Conference but deputed Shri Y. B. Gaitonde, Manager of the Bank, to attend the Commonwealth Conference on Agricultural Co-operation and to present his Paper. In dealing with this subject Shri Saraiya observed "Co-operation is both a system and a spirit; it is both a method of working and a moral force; it is a form of organisation with legislative sanction and method of economic working which enables small units to pool their resources together for their common good. At the same time it has an inspiring motto 'Each for all and all for each.' This association and working together of human beings for the common end gives it a moral value and beyond purely economic considerations of individual gain. It is for this reason that it has found acceptance in all countries and has been approved by all parties. In fact, in India every political party has invoked the co-operative method and co-operative organisation for the betterment of the standard of living of the masses. This very universality of its appeal makes it necessary to ensure that co-operation does not align itself with any single political party, whether it is the party in power or not. Co-operative organisation deserves assistance and encouragement from the State but its aim should be to become self-reliant. It should not, in any case, be absorbed by the State. It should cover a wide section of the field of economic activity and in its turn help the State to carry out some of the economic policies, but it should maintain its own power of initiative, its individuality and its independence."

5. Towards the end of the year under review, Shri V. P. Varde, Hon. Managing Director of the Bank and the Secretary of the Bombay Provincial Co-operative Institute, was appointed by the Government of India as

a delegate to the International Conference on Agriculture and Co-operative Credit held at Berkeley (in California, U. S. A.).

State Co-operative Council:

6. I had made a reference to the establishment of State Co-operative Council in my last year's review. During the Ministership of Shri V. L. Mehta, who has been associated with this Bank since its beginning and who is a distinguished co-operator, the Government of Bombay took positive steps to implement the recommendations of the All-India Co-operative Planning Committee and for the 'democratisation' of the co-operative movement, by the establishment of the Bombay State Co-operative Council of which the Executive Committee of the Bombay Provincial Co-operative Institute is the nucleus and the Chairman of the Institute is the Chairman of the Council. The Chairman of the Bank Shri R. G. Saraiya and Shri V. P. Varde, Honorary Managing Director of the Bank and five of the Directors of the Bank are members of the State Co-operative Council. The Council serves as a forum for discussions on various problems connected with the working of the co-operative organisations as also of the State policies and serves as a channel for canalising co-operative opinion and a medium of their association with the Government and its policies and plans of development.

Standing Advisory Committee:

7. A reference was made in the last year's review to the appointment of a Standing Advisory Committee by the Reserve Bank of India to establish closer liaison between the Agricultural Credit Department of the Reserve Bank and the State Co-operative Banks. Shri R. G. Saraiya, Chairman and Shri D. R. Gadgil, a Director of the Bank, are nominated by the Reserve Bank on the Committee. The Committee has afforded an opportunity to the Co-operative Banks to bring to the notice of the authorities of the Reserve Bank the difficulties in obtaining financial accommodation from the Reserve Bank and to formulate suitable measures to liberalise the procedure in obtaining such accommodation, so as to enable the Co-operative Banks to draw on this national reservoir of credit to meet the seasonal needs of the agricultural industry and for organising marketing of crops. The Committee's directives on the policies and working of Co-operative Banks, it is expected, will be of considerable assistance in strengthening the structure of central financing agencies, to bring about a better understanding of their problems and difficulties and to establish an integrated system of an institutional credit to serve the needs of the agricultural industry which finds employment for 80 per cent. of our population.

Co-operative Institute:

8. It has been the privilege of this Bank to have been actively associated with the State Co-operative Institute which represents the non-official co-operative opinion. Shri V. P. Varde, Hon. Managing Director, is the

Secretary of the Institute, while Sir Janardan A. Madan, the Chairman of the Institute, is a Director on the Board of Directors of this Bank, and Shri R. G. Saraiya, the Chairman of the Bank, is nominated on the Executive Committee of the Co-operative College at Poona, conducted by the Institute.

9. The Bank is similarly represented on the Provincial Co-operative Organisations like the Provincial Marketing Society, the Provincial Land Mortgage Bank, the Provincial Industrial Association, the All India Co-operative Fire and General Insurance Society and the recently established Co-operative Housing Finance Society.

II. STATE ASSISTANCE.

Contribution to Share Capital:

10. Since the co-operative movement, through the apex and district central banks, undertook the responsibility of financing credit-worthy agriculturists as envisaged in the Report of the Agricultural Credit Organisation Committee appointed by the Government of Bombay in the year 1948, in pursuance of Government Resolution No. 2148/45, dated 25th June 1948, the Government of Bombay have agreed to contribute to the Share Capital of this Bank to the extent of Rupees fifty lakhs to augment its capital structure. During the year under review, the Bank received an additional contribution of Rupees ten lakhs, thus increasing the shareholding of the Government to Rs. 26 lakhs at the close of the year.

11. The Government of Bombay have further agreed to contribute to the share capital of the central financing agencies by providing funds to the State Co-operative Bank to take up shares of the central financing agencies, subject to the condition that such contribution shall not exceed Rs. 5 lakhs to any one central financing agency and Rs. 25 lakhs in the aggregate. Under this arrangement, the Bank contributed to the share capital of the following central financing agencies during the year under review:

1. Kaira Dist. Central Co-op. Bank Ltd., Nadiad, <i>additional</i> (making a total of Rs. 3 lakhs) ...	Rs. 2,00,000
2. South Satara District Central Co-op. Bank, Ltd., Sangli.	50,000
3. Poorva Panchmahals Co-op. Banking Union Ltd., Dohad	25,000
	Rs. 2,75,000

The total contribution by the State Co-operative Bank to the share capital of four central financing agencies at the close of the year amounted to Rs. 5.75 lakhs. This amount is drawn from the State Government and carries interest at 3% as per Government Resolution dated 25th June 1948, any additional amount realised as dividend from the central financing agencies being taken

to "Credit Stabilisation Fund." Consequent on the increase in the Bank Rate, the Government of Bombay, under Resolution No. CSB-3351-D dated 7-3-1952, increased the rate of interest on such contributions to share capital of central financing agencies to $3\frac{1}{2}\%$ with effect from 7th March 1952 without consulting the Board. The Board had, therefore, to represent to Government that the commitments made previously and the rate of interest agreed to by Government could not be altered as both the Government and the Bank were committed to the scheme of integrated system of providing institutional credit to agriculturists. The Government, therefore, have agreed not to increase the rate of interest on the contributions made by the Government to the share capital of both the State Co-operative Bank and of central financing agencies prior to their decision to increase the rate and that any further contribution made thereafter would carry interest at $3\frac{1}{2}\%$.

12. It is, however, likely that a central financing agency to which share capital is provided under this arrangement may not declare a dividend or may declare a dividend at a lower rate. Government have been addressed enquiring as to whether this Bank would be liable to pay interest on such contribution, if a central financing agency has not declared any dividend or is unable to pay a dividend or the rate of dividend is below the rate of interest charged by Government on such capital contribution. The Government's clarification is sought on both these points and their decision is awaited.

Credit Stabilisation Fund:

13. In terms of the Government Resolution, Revenue Department, No. 2148/45 of 25th June 1948, any dividend paid in excess of 3 per cent on the Government contributions to the share capital of the State Co-operative Bank and of central financing agencies, is to be credited to a special reserve, to be called the "Credit Stabilisation Fund" maintained by the State Co-operative Bank. A sum of Rs. 8,600 was appropriated to this Fund, last year, out of the dividend paid by the State Co-operative Bank on the share capital contributed by Government, while during the year under review, a sum of Rs. 32,000 was added to the Fund out of the dividend paid by the Bank on Government share contribution, thus making a total Fund of Rs. 40,600 at the close of the year.

Subsidies for uneconomic Branches:

14. In order to facilitate the provision of agricultural finance in rural areas and to minimise the cost to the agriculturist borrowers, Government have agreed, under Government Resolution, Development Department, No. 599, dated 31-10-1949, to grant subsidies to central financing agencies, at a prescribed scale, in relation to the volume of agricultural advances made, for a period of three years, in the first instance, for meeting the deficit in working expenses of new branches, opened with the approval of the Registrar. The Bank has opened 16 branches since 1949 on the basis of obtaining Gov-

ernment subsidy to meet deficits, if any, and subsidies were claimed for 8 branches which had incurred deficits during the year 1950-51, for a sum of Rs. 29,000 of which Rs. 15,000 were sanctioned. The subsidies received from Government for the uneconomic branches since this arrangement came into force, is indicated in the following table:

Year	Subsidy claimed		Subsidy actually received	
	No. of Branches	Amount	No. of Branches	Amount
1947-48	9	Rs. 7,600	9	Rs. 7,600
1948-49	11	„ 20,659	4	„ 10,344
1949-50	11	„ 46,035	6	„ 35,700
1950-51	8	„ 29,000	6	„ 15,000

15. The branches opened in backward or undeveloped areas where the co-operative movement had not sufficiently advanced, are not able to get adequate business in the initial period while the cost on inspection and maintenance of the branches is comparatively higher, resulting in larger deficits and that too for longer periods, than in the normally developed areas. As mentioned in the last year's review, therefore, Government was approached to meet the entire deficits of such branches opened by central financing agencies in backward and undeveloped areas for a period of 10 years. The Government have now partially modified their previous orders and have authorised the Registrar, Co-operative Societies, to subsidise uneconomic branches "opened in backward and comparatively undeveloped or under-developed areas" to the extent of actual loss for the first three years and at the scale prescribed for other areas, for the next three years.

Government Guarantee for Crop Loans under B. A. D. R. Act:

16. In accordance with the provisions contained in Government Resolution, Revenue Department, No. 10670/39 dated 4th November 1944, Government have agreed to guarantee against losses due to bad debts etc., and to reimburse the societies against such losses to the extent of 5% of their outstandings on account of finance advanced to 'agricultural debtors' who are parties to proceedings under the Bombay Agricultural Debtors' Relief Act. Under this guarantee the Bank has claimed a sum of Rs. 42,825 for loans advanced to co-operative societies and Rs. 4,536, to individual borrowers, during the years 1947-48 and 1948-49. Out of this, a sum of Rs. 4,536 for crop loans advanced to individual borrowers has been received during the year. The Registrar has been again addressed to expedite payment of guarantee amount claimed in respect of loans advanced to societies.

Government Guarantee for "Industrial" Loans:

17. The Government of Bombay is keenly interested in the development of cottage and small scale industries and has set up a separate department for the promotion of co-operative societies for industrial workers. Normally, the industrial workers are unorganised, possess small means and

are very often exploited by the traders, or their own master-craftsmen. Formation of co-operative societies for such workers is encouraged. But they have no means to raise sufficient financial resources to enable them to organise their trade in competition with individual master-craftsmen. The industrial co-operatives, therefore, find it difficult to obtain capital or financial accommodation from the normal channel or from financing banks. The Joint Registrar, Industrial Co-operatives and Village Industries, who is charged with the responsibility for the development and progress of industrial co-operatives, is authorised by Government (i) to contribute to the share capital as working capital for certain types of societies, and (ii) to give guarantees on behalf of Government to the central financing agencies, within certain limits, for the margins which the banks would normally insist upon in providing financial accommodation. In pursuance of this policy of the State Government, the Bank has been providing financial accommodation to industrial co-operatives, such as weavers' societies, forest labourers' societies and those of other industrial workers, on the basis of margins being guaranteed by the Joint Registrar, where the societies are unable to provide the normal business margin from out of their own capital resources.

18. The extent of finance provided by the Bank to industrial societies on this basis and the amount of Government guarantee available for different types of societies, are indicated in the following table:

Types of Societies	No. of Societies	Nature of Guarantee	Amount of finance sanctioned	Amount of loans outstanding	Amount of Government Guarantee available
			Rs.	Rs.	Rs.
1. Forest Labourers' Societies	31	40% margin	10,90,000	8,64,474	4,34,800
2. Industrial Associations (for wholesale yarn distribution)	4	20% „	21,00,000	15,83,281	4,20,000
3. Weavers' Societies (Special Scheme)	2	25% „	24,000	Nil	Nil
4. Other Industrial Societies	1	20% „	5,000	1,251	1,000
Total	38		32,19,000	24,49,006	8,55,800

Government Loans:

19. In order to enable co-operative organisations to undertake the distribution of controlled commodities, more especially the wholesale distribution agency for cloth and yarn, the Government of Bombay had agreed to make available to the State Co-operative Bank a loan of Rs. 2 crores, at 3½% for financing the Industrial Associations and other co-operative organisations recognised as wholesale agencies for cloth and yarn. With the relaxation of control on the distribution of cloth and yarn, the demands from

co-operatives for accommodation for this purpose were expected to be less and so a provision for a loan of Rs. 50 lakhs only was made for the year under review and was availed of in full during the year. An amount of Rs. 45 lakhs was repaid including Rs. 1 lakh outstanding at the close of the last year, leaving a balance of Rs. 6 lakhs at the close of the year.

20. As a result of the assumption of responsibility to provide short term finance to credit-worthy agriculturists, the demands from co-operatives for agricultural and marketing operations have been increasing as is illustrated elsewhere in this review. The resources of the Bank which were utilised in financing co-operatives for their distribution activities in State-controlled commodities were required to be diverted to provide agricultural and marketing finance. During the year under review, the Bank experienced considerable difficulty in finding funds required for the purposes of financing distribution activities. The Board had, therefore, to approach the State Government to extend the provision for a loan of Rs. 2 crores made for cloth and yarn distribution, to the other controlled commodities. This question is still under consideration of the State Government. In the meantime, however, the resources of the Bank were considerably strained, mainly on account of increasing demands from agricultural societies and the Government was pleased to grant a loan of Rs. 50 lakhs temporarily until the Bank was able to finalise the arrangements for obtaining accommodation from the Reserve Bank of India, under Section 17(4)(c) of the Reserve Bank of India Act, in respect of loans directly advanced to primary societies in the area of operation of the Bank. Thanks to the good offices of Shri V. L. Mehta, the Minister for Finance and Co-operation, the loan of Rs. 50 lakhs was promptly sanctioned and was fully availed of and was repaid in full before 31st March 1952.

III. ASSISTANCE FROM THE RESERVE BANK.

21. The reasons for the increasing demands on this Bank and the central financing agencies for agricultural and marketing finance have been analysed in detail in the last year's review. With the extension of the area of operation of this Bank and with the increase in the number of societies and their membership, demands for financing credit-worthy agriculturists for seasonal agricultural operations and marketing of crops through co-operative societies considerably increased. As a result, central financing agencies including the State Co-operative Bank, were unable to meet the demands from their own resources. The central financing agencies were, therefore, required to augment their working funds by obtaining financial accommodation from the Reserve Bank of India in an increasing measure. During the year under review, the procedure for submission of applications to the Reserve Bank for financial accommodation was standardised and simplified in consultation with the Registrar and the Chief Officer, Agricultural Credit Department of the Reserve Bank, so as to avoid delays and to ensure proper use of the limits sanctioned by the Reserve Bank.

22. The financial accommodation from the Reserve Bank of India can be availed of for financing primary agricultural and marketing societies classed 'A' or 'B', for seasonal agricultural operations and marketing of crops, at a concessional rate of interest of $1\frac{1}{2}\%$ below the Bank Rate. The Bank Rate was raised to $3\frac{1}{2}\%$ in March 1952. In order, however, to enable the co-operative banks to finance the co-operatives at the same rate as hitherto, the Governor of the Reserve Bank was pleased to announce that the rate of interest charged on loans made under Section 17 of the Reserve Bank of India Act, for agricultural and marketing operations, would be 2% below the Bank Rate, thereby ensuring funds at the same rate as before the increase in the Bank Rate.

23. In order to enable the State Co-operative Bank to avail itself of the financial accommodation for financing co-operative societies in the area where it functions directly as a central bank, the Reserve Bank was pleased to sanction accommodation at $1\frac{1}{2}\%$ under Section 17(4)(a) against the pledge of Government Securities, provided the funds so obtained were used for financing agricultural and marketing societies classed "A" or "B" and under Section 17(4)(c) against the re-endorsement of pro-notes of primary societies which were certified to be financially sound by the Registrar, Co-operative Societies. The Reserve Bank of India was pleased to sanction to the State Co-operative Bank a limit of Rs. 250 lakhs under Section 17(4)(a) and Rs. 85 lakhs under Section 17(4)(c). Limits aggregating to Rs. 220.50 lakhs were sanctioned to 17 central financing agencies under Section 17 (4) (a), 17(4)(c) and 17(2)(b) as against the total limits of Rs. 51 lakhs to six central financing agencies last year and Rs. 36 lakhs to five central banks in 1949-50

24. The extent of financial accommodation availed of by the State Co-operative Bank and the Central financing agencies during the year under review is detailed in the following table:

(Amount in lakhs of Rupees)

	Limits sanctioned	Maximum Drawings	Amount outstanding at the close of the year	Corresponding amount during the previous two years :	
				1950-51	1949-50
State Co-op. Bank:					
Sec. 17 (4) (a) against Govt. Securities	250.00	200.00	95.00	97.00	10.00
Sec. 17 (4) (c) against Co-op. Paper	85.00	85.00	25.00	.	.
Central Financing Agencies:					
Sec. 17 (4) (a)	17.00	13.00	3.00	.	.
„ 17 (4) (c)	10.00	10.00	5.00	.	.
„ 17 (2) (b)	193.50	192.50	140.34	36.00	21.00
Total ...	555.50	500.50	268.34	133.00	31.00

IV. ORGANISATION OF AGRICULTURAL CREDIT.

25. As mentioned in the last year's review, attempts were continued to implement the scheme for the provision of agricultural credit and for assessing the requirements of credit-worthy borrowers and to determine a fairly uniform policy and procedure for advancing loans for seasonal agricultural operations. The central financing agencies were visited by the officers of the Bank to build up contacts with them, to study the local conditions and to explain the procedure for organisation of agricultural credit. The experience gained during the year under review indicates that the implications of an agricultural credit organisation and the operations of a crop loan system are not clearly understood by the workers, both official and non-official. Certain difficulties in the execution of the scheme had to be encountered, with the result that it has not been possible to evolve a satisfactory system of crop finance. The meaning of 'adequate finance' to credit-worthy agriculturists is very often mistaken for annual loans for all types of requirements of the borrower, irrespective of the needs of the crop as and when required. As a result, a tendency to increase the borrowings without insistence on corresponding increase in production or improvement in cultivation was noticeable. With a view to ensure increased production and higher standard of efficiency of the agricultural industry, it was specifically laid down in the scheme of finance formulated by the Board that only cash requirements of the crops for the various cultivation operations were to be met as and when required. This objective of the scheme was often lost sight of by the borrowers and those who were responsible for administering the loans. It was also necessary, in the light of the experience gained, to clarify the principles and objectives of a crop loan system in more clear terms and to insist on a proper working of the system. The sharp fall in commodity prices at the height of the agricultural season and partial failure of crops in certain areas made it more difficult to evolve the crop loan system on an enduring basis. A proper system of crop loan envisages a linking of credit with marketing of crops so as to ensure that the credit provided for raising of crops stands self liquidated. Unfortunately however, this aspect of the scheme is conspicuous by its absence. While the loans advanced by co-operatives have increased very considerably during the year under review, some of the marketing organisations which were considered to be well managed have, with a few exceptions, failed to organise marketing of crops and have in fact ceased to function in that direction, owing to mismanagement or misapplication of their funds after the distribution of controlled commodities handled by them was slackened owing to decontrol of some of the commodities. Without the effective linking of credit with marketing, any system of agricultural credit cannot be expected to give satisfactory results but on the other hand will be open to grave risks, and in the event of disloyalty on the part of borrowers or default by the members to discharge their obligations, the entire system is likely to break down to the detriment of the members themselves and of the entire agricultural industry. The implications of such

an eventuality are likely to be overlooked in an expansion of the movement without strengthening administrative efficiency and financial structure. An increase in the quantum of credit now made available by co-operatives and in the scale of the finance required for different crops, without ensuring its proper use towards increased production and efficiency in cultivation methods, or without insistence on the marketing of the produce through a co-operative organisation and application of the sale proceeds to liquidate the sums obtained for production of crops, is likely to defeat the very objective of a crop loan system and of institutional credit. Though the credit is conditioned on the sale of agricultural produce through and supply of requisites in kind from the purchase and sale organisations, the conditions remain mostly in letter and are seldom acted upon, with a few exceptions where the societies are well managed and are closely supervised by the Bank's staff.

26. During the year under review, attempts were made to organise new societies and to enrol new members to conform to the targets set forth in the recommendations of the Agricultural Credit Organisation Committee. Except in the undeveloped areas or in districts created out of the Indian States merged in the Bombay State where co-operative movement had not made much progress, the targets have already been reached. The Board of Directors had, therefore, given a caution to stop further expansion, especially in view of the paucity of funds and of trained workers to maintain effective supervision.

27. The surplus from the industry obtained by the agriculturists in the past has either been ploughed back in the industry or used in meeting the previous liabilities. It is a healthy and desirable sign that the cultivators are taking keenly to improvement of agricultural methods and use of machinery like Tractors or Power pumping sets for irrigation, which in their turn make them turn to the credit agency for their normal cultivation finance. The cumulative effect of these factors is reflected in a very considerable increase in demands on co-operatives and consequently on central financing agencies. With the increase in the quantum and volume of credit, the need for higher efficiency in the administrative and supervisory arrangements is felt in an increasing measure. Without ensuring efficiency and strength in the different links in the credit organisations, mere expansion and development is likely to be lopsided and unsystematic.

28. With a view to discuss matters of common interest and to exchange views on the questions affecting the working of the central financing agencies and the proper development of the scheme of institutional credit, a conference of Directors of the Board and Administrative Officers of the Central Banks and senior officials of this Bank was convened in January 1952. This Conference provided an opportunity to explain the implications

of the system and the measures to implement it, to those who were actually concerned with its working and was an useful instrument in building up direct contacts between the officers of the different central financing agencies.

29. Out of the 28 districts in the Bombay State, eight districts were served directly by this Bank through its Branches, as a central financing agency, while eleven districts were served by the district central co-operative banks. In the remaining eight districts, except the Greater Bombay District, district central banks, banking unions and this Bank functioned as central financing agencies for parts of the districts as indicated in paragraph 35 below.

Banking facilities in rural areas:

30. During the year under review, the central financing agencies and the Bombay State Co-operative Bank through their Branches continued to play their role in husbanding rural savings and to channel them for the development of agricultural industry, through co-operative institutions. The central financing agencies took steps to open branches in taluka headquarters which were not hitherto served by an office of the central financing agency, for providing banking facilities to the affiliated societies, to reduce the cost to the borrowers and to tap local savings. The Rural Banking Enquiry Committee has recommended that banking offices in the rural and semi-urban areas, especially of co-operative banks, were the best suited medium to mobilise the savings of the people. The subsidies towards meeting the deficits in working costs provided by the State Government, as mentioned in paragraph 14, enabled the Central Banks to open branches in remote and undeveloped parts in their area of operation. The State Co-operative Bank and the central financing agencies opened 13 new branches or pay offices during the year under review as against 34 during the previous year. The total number of offices including those of the State Co-operative Bank, at the close of the year, stood at 219 as against 206 at the close of the previous year.

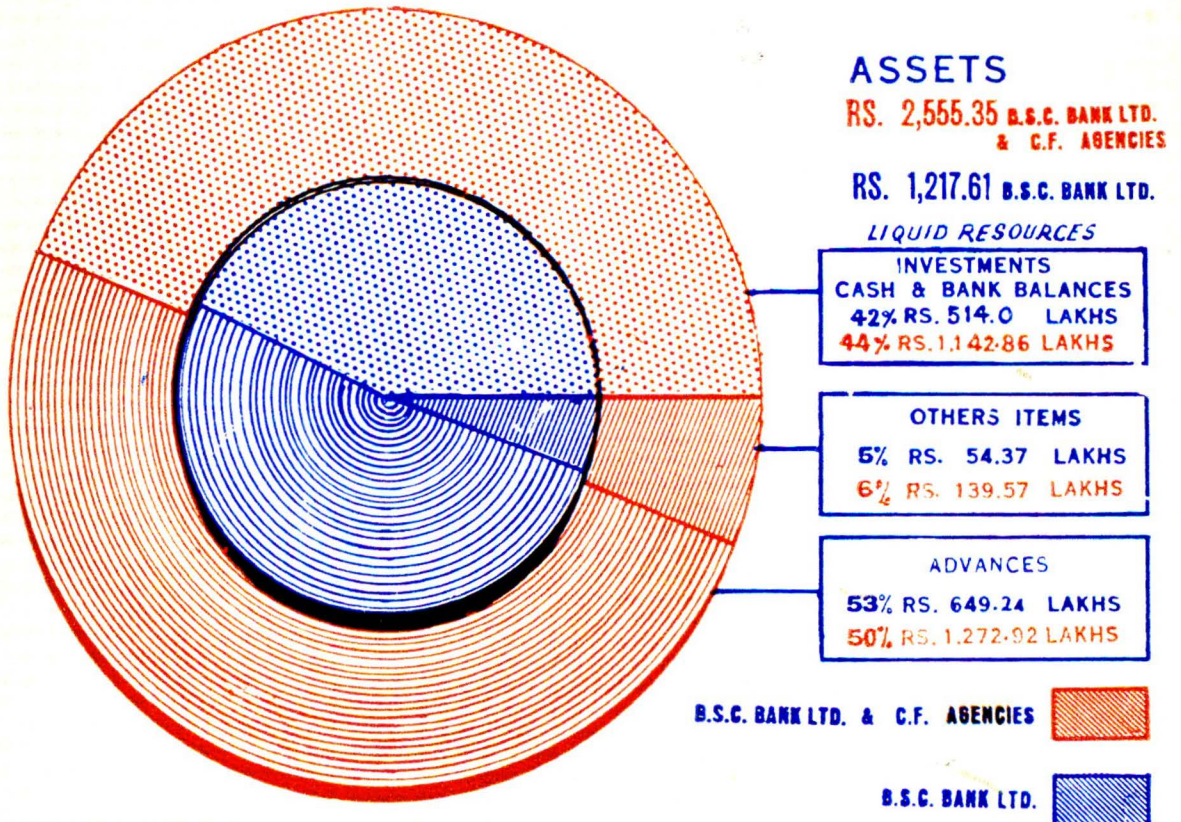
Resources of Central Financing Agencies:

31. At the close of the year under review, in addition to the State Co-operative Bank, 11 District Banks, 6 Banking Unions and 8 Central Banks operating in parts of districts, were functioning in the Bombay State. The following table will indicate their resources and the extent of agricultural and other advances, during the year under review, as compared with previous two years:

THE BOMBAY-STATE CO-OPERATIVE BANK LTD.

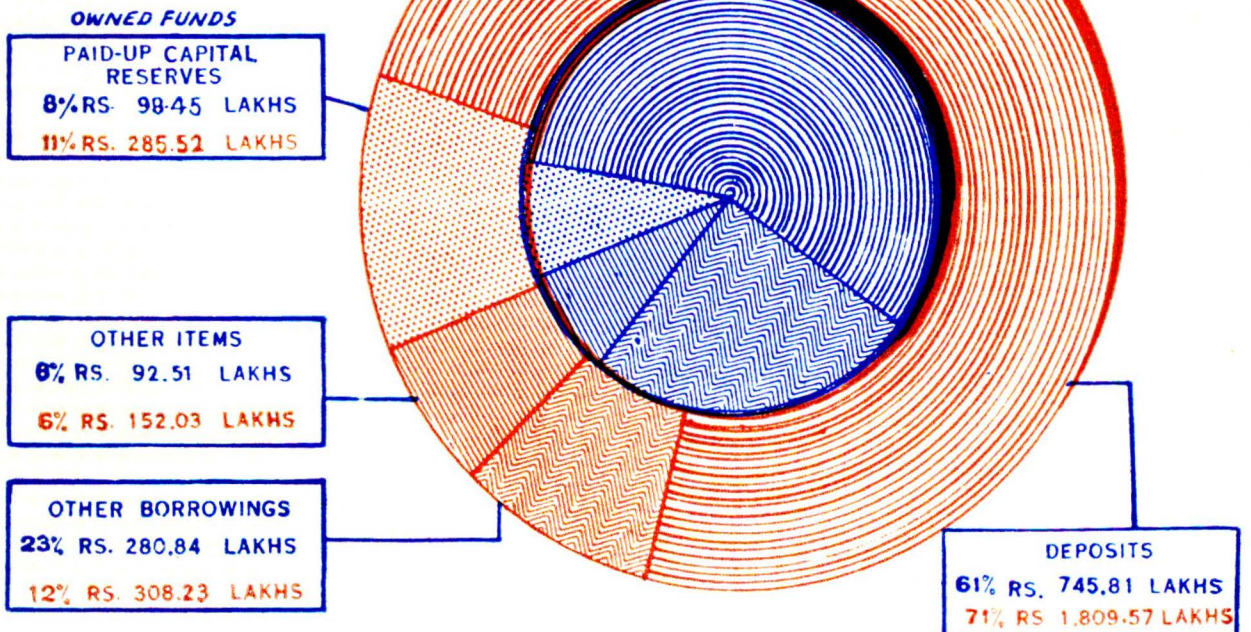
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GRAPH SHOWING THE ASSETS AND LIABILITIES OF THE BOMBAY STATE CO-OPERATIVE BANK LTD., AND CENTRAL FINANCING AGENCIES



LIABILITIES

RS. 2,555.35 B.S.C. BANK LTD. & C.F. AGENCIES
RS. 1,217.61 B.S.C. BANK LTD.

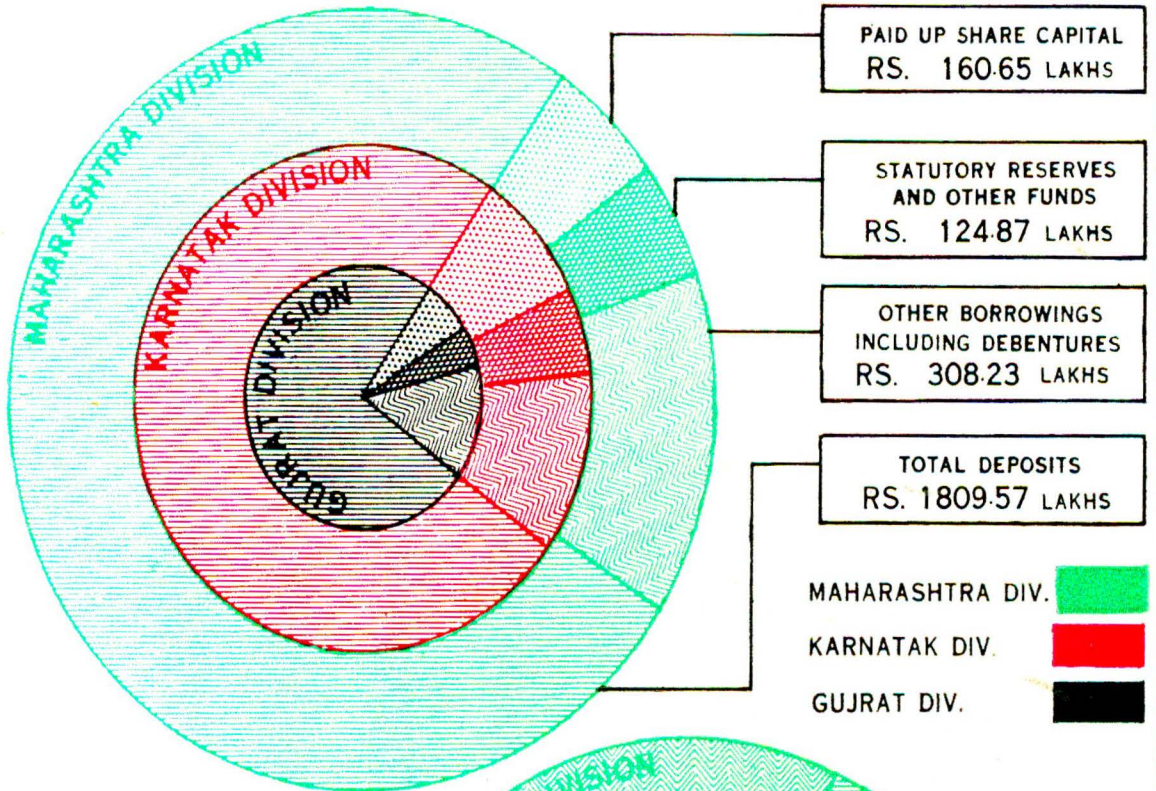


THE BOMBAY STATE CO-OPERATIVE BANK LTD.

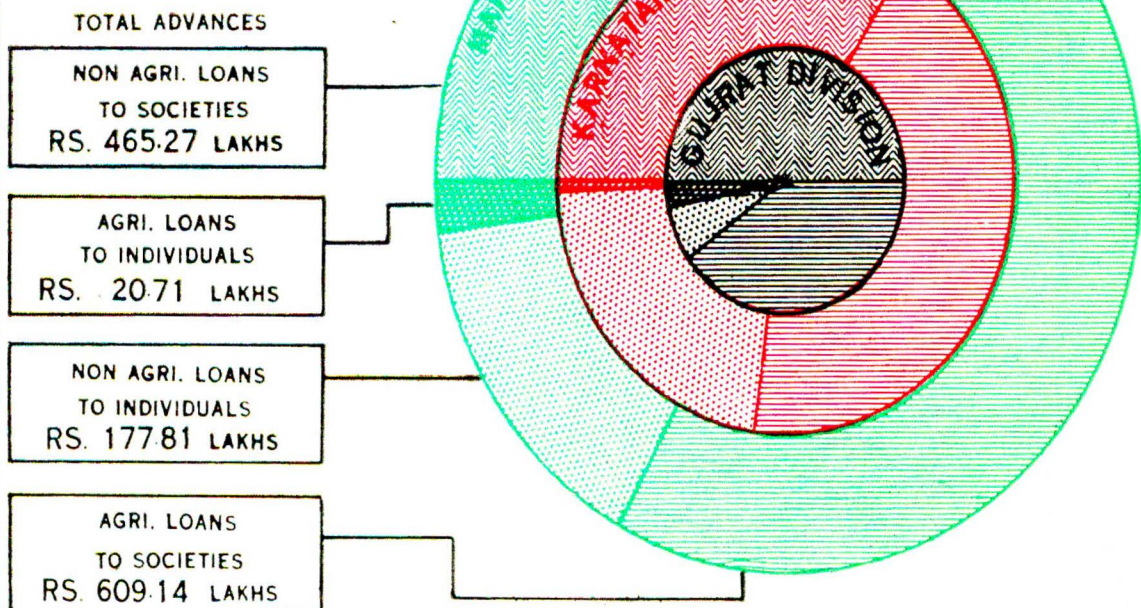
CHART SHOWING FINANCIAL POSITION OF CENTRAL FINANCING AGENCIES
INCLUDING B. S. C. BANK LTD. IN THE STATE OF BOMBAY.

1952

LIABILITIES



ASSETS



(Amount in lakhs of Rupees)

Working Funds	State Co-operative Bank			Central Financing Agencies			Total		
	1952	1951	1950	1952	1951	1950	1952	1951	1950
Paid up Share Capital ...	59.18	48.70	48.26	101.47	81.55	64.62	160.65	130.25	112.88
Statutory Reserve and other funds	39.27	37.16	33.41	85.60	77.96	69.95	124.87	115.12	103.36
Deposits ...	745.81	797.96	860.24	1063.76	1122.02	934.46	1809.57	1919.98	1794.70
Other borrowings	132.50	107.50	21.50	175.73	93.54	46.61	308.23	201.04	68.11
Total ...	976.76	991.32	963.41	1426.56	1375.07	1115.64	2403.32	2366.39	2079.05
Advances:									
Societies :									
(a) Agricultural ...	211.74	151.99	103.35	397.40	286.68	223.06	609.14	438.67	326.41
(b) Non-agricultural ...	224.72	250.15	158.60	240.55	233.89	120.67	465.27	484.04	279.27
Individuals :									
(a) Agricultural Operations ...	6.79	4.10	3.13	13.92	15.34	3.97	20.71	19.44	7.10
(b) Non-agricultural Loans ...	57.65	80.22	66.52	120.16	146.32	141.84	177.81	226.54	208.36
Total ...	500.90	486.46	331.60	772.03	682.23	489.54	1272.93	1168.69	821.14
To C.F.A.s. from Reserve Bank	148.34	36.00	21.00	...	...	...	148.34	36.00	21.00

A detailed statement showing the resources and advances of each central financing agency is given in the Appendix.

32. Some of the older district banks have built up their own resources adequate enough to provide agricultural and other finance to affiliated co-operatives, while those which are comparatively new, have to seek financial accommodation from the State Co-operative Bank and the Reserve Bank of India. During the year under review, as a result of increase in the number of co-operative societies, more especially in the undeveloped and backward areas in new districts created out of Indian States and enrolment of new members in the older institutions, there has been an all-round increase in the volume of agricultural loans advanced by primary credit and multi-purpose societies. Owing to the continuance of the distribution of controlled commodities and rationed foodgrains through co-operatives, a substantial portion of the resources of the co-operative societies as well as the central financing agencies is diverted to finance this activity. The deposits commanded by the central financing agencies have not kept pace with the expanding activities undertaken by co-operatives necessitating financial accommodation from the Reserve Bank of India in an increasing measure.

33. As a result of this increase in the liabilities incurred by the Central Banks, provisions of Rule 8 of the Bombay Co-operative Societies Rules were amended, in consultation with the State Co-operative Council and the Reserve Bank of India, so as to raise the limit for incurring outside liabilities in the case of the State Co-operative Bank to 15 times instead of 12 times and the Registrar, Co-operative Societies, was authorised to similarly increase the limits wherever he found it necessary, in the case of other Central Financing Agencies.

V. AREA OF OPERATION AS A CENTRAL BANK.

34. During the year under review, the business of the Atpadi Branch of the Bank of Aundh which had its jurisdiction over the Atpadi Mahal of the Aundh State was taken over and a branch of this Bank was opened at Atpadi. The business taken over amounted to Rs. 2 lakhs of deposits of all kinds and lendings of Rs. 57,088 to co-operative societies and Rs. 27,677 to individuals.

35. Thus, at the close of the year under review, the Bank functioned as a central financing agency in eight complete Revenue districts and in parts of eight other Revenue districts, as detailed below:

Complete Districts served by the Bank	Parts of Districts served by the Bank	
	District	Parts served by the Bank.
1. Nasik	1. Thana	Whole district except Wada and Mokhada Talukas.
2. Kolaba	2. Sholapur	Malshiras Taluka only.
3. Dangs	3. Kolhapur	Karvir, Kagal, Radhanagari, Budhargad, Bavada, Gadhinglaj Talukas and Ajra Mahal.
4. Ahmednagar	4. Panchmahals	Godhra, Devgad-Baria, Santrampur, Lunawada, Shihore and Limkheda Talukas.
5. Ratnagiri	5. Ahmedabad	Virangam and Dhandhuka Talukas.
6. West Khandesh	6. Amreli	Ghogho Mahal.
7. Sabarkantha	7. North Satara	Koregaon, Wai, Khatau and Man Talukas and Mahabaleshwar Mahal.
8. Banaskantha	8. South Satara	Khanapur and Walva Talukas and Atpadi and Shirala Mahals.

Branches of the Bank:

36. During the year under review, one sub-branch at Lonand in North Satara District was closed, while two new branches, one at Santrampur in the Panchmahals District and the other at Atpadi in the South Satara District were opened, with the approval of the Registrar, Co-operative Societies. The total number of branches at the close of the year remained at 62,

VI. THE BOARD OF DIRECTORS.

37. Under Bye-law 62 the Board of Directors consists of representatives of (i) central financing agencies, (ii) other co-operative interests (iii) the State Government, and (iv) Directors elected by individual shareholders. During the year under review the Mehsana District Central Co-operative Bank Ltd., acquired a right to nominate its representative on the Board of Directors. Directors representing co-operative societies directly financed by the Bank, the Urban Banks and individual shareholders are elected every alternate year while Directors representing Central Banks, the Provincial Marketing Society and the State Government are nominated by the respective constituencies every year. The Directors representing primary societies, Urban Banks and Banking Unions as well as individual shareholders were elected in the year 1951-52.

38. The Board of Directors consists of 35 Directors of whom 13 are nominated by the District Central Co-operative Banks, one by the Provincial Marketing Society and three by the State Government, while twelve are elected by the Banking Unions, Primary Societies in the area of operation where the Bank functions as a central financing agency, and Urban Banks and five are elected by individual shareholders. Shri V. P. Varde continued to hold office as Managing Director and as an Ex-Officio Director on the Board.

39. The Board of Directors held five meetings and generally discussed matters of administrative importance and those concerning policy decisions.

40. The Board of Directors elect annually from among themselves, an Executive Committee consisting of 12 Directors, of whom three are from among the nominees of the Central Co-operative Banks and one from among the nominees of the State Government. The Executive Committee is responsible for the day to day administration of the Bank and meets every month. A Sub-Committee of the Executive Committee consisting of the Chairman, Managing Director and three other Directors from among the Executive Committee, is appointed by the Executive Committee every quarter to whom certain powers of the Board of Directors under Bye-law 72 are delegated, for the conduct of the business of the Bank. The Sub-Committee meets every week and held 53 meetings during the year under review for the disposal of business, such as sanctioning of loan applications, disposal of references received from the Registrar etc. and other matters relating to the administration of the Bank.

The Board of Directors has appointed two special sub-committees, one for dealing with applications from individuals for agricultural finance and the other for consideration of legal matters.

Branch Committees:

41. Bye-law No. 72 (i) (2) provides for the formation of Branch Committees to associate the representatives of affiliated co-operative societies with the working of branches and for delegating certain powers of the Board in respect of sanctioning of loans to agricultural societies. As a general rule a Branch Committee is formed where the number of societies having loan operations with a branch exceeds 40, the strength of the Committee being from three to five representatives elected by the affiliated societies. The Branch Committees act as an electoral college for election of six Directors on the Board, representing the primary societies from the districts where the Bank directly functions as a central financing agency. The Branch Committees have their own constitution and a separate budget for expenditure. The members of Branch Committees visit affiliated societies, when required, for propaganda and stimulation of recoveries and often give valuable guidance to the local officials of the Bank and serve as a non-official link between the affiliated societies and the Board. The Committees are of considerable assistance to the Bank in establishing contact with primary co-operatives in their respective areas and for consultation on local problems.

42. At the close of the year, 35 branches had Branch Committees attached to them, the total strength of their members being 170. The Board nominated its nominees on four of the Branch Committees in order to associate eminent co-operators or local co-operative leadership with the working of the branches and to secure their co-operation. Some of the loan sub-committees of the Branch Committees are authorised to sanction loans and credits to agricultural societies within certain limits and on certain conditions prescribed by the Board. 20 Branch Committees which were so authorised by the Board, sanctioned loans and credits to 584 co-operative societies aggregating to Rs. 47.49 lakhs as against to 470 societies for Rs. 37.82 lakhs respectively, last year.

43. Grants amounting to Rs. 7,685 were sanctioned for the expenses of Branch Committees as against Rs. 7,681 sanctioned last year, while the actual amount spent was Rs. 6,833 as against Rs. 5,681 spent last year.

VII. SHARE CAPITAL AND MEMBERSHIP.

44. The authorised share capital of the Bank under Bye-law 3 (a) is Rs. 50 lakhs while the Bank is authorised to receive under Bye-law 3 (b) a contribution of Rupees one Crore from the State Government. During the year under review the paid-up share capital increased by Rs. 10,48,850, of which Rs. 10 lakhs were received from the State Government, new shares being allotted only to co-operative societies for purposes of affiliation or voting qualification.

45. The following table will show the increase in the share capital and the membership during the last five years:

Year	Paid-up Share Capital	Number of members and their shareholdings						Govt. Contribution to the Share Capital	
		Co-op. Institutions			Individuals			No. of Shares	P. C. to Share Capital
		No. of institutions	No. of shares held	P. C. to Share Capital	No. of members	No. of shares held	P. C. to Share Capital		
1947-48	20,39,200	3219	24,349	59.8	2674	16,345	40.2	...	...
1948-49	20,62,250	3693	24,933	60.5	2694	16,312	30.5	...	...
1949-50	48,26,200	4146	40,703	42.2	3313	23,821	24.7	32,000	33.1
1950-51	48,69,750	4855	41,883	43.0	3623	23,512	24.1	32,000	32.9
1951-52	59,18,600	5253	45,459	38.4	4073	20,913	17.6	52,000	44.9

46. Of the total membership, co-operative institutions formed 56.3 per cent as against 57.2 per cent of the previous year and the capital subscribed by co-operatives was 68.4 per cent as against 64 per cent of the last year, exclusive of the capital subscribed by the Government.

"B" Class Membership:

47. Under Bye-law 12 (A) persons who are members of primary co-operative societies or are parties to proceedings under the Bombay Agricultural Debtors' Relief Act or credit-worthy agriculturists, can be admitted as "B" class members, having no right to participate in the management, for the purposes of borrowing loans against valuables or agricultural produce or for raising of crops. The following table indicates the number of members of this class as at the end of the last five years:

Year	Members of Primary Co-op. Societies	Persons who are parties to proceedings under the B.A.D.R. Act.	Persons who are "Creditworthy Agriculturists."
1947-48	604	301	...
1948-49	752	304	...
1949-50	933	314	...
1950-51	1216	317	...
1951-52	1570	317	285

48. There is no change in the strength of persons admitted as 'B' class members who are parties to the proceedings under the Bombay Agricultural Debtors' Relief Act. 285 persons who are credit-worthy agriculturists, other than members of registered co-operative societies, were admitted during the year, while members of societies admitted to 'B' class membership in-

creased by 354 during the year under review. The increase in membership of this class is an indication of the agriculturists taking greater advantage of the facilities offered to them by the Bank to obtain accommodation against valuables or for raising crops, where there are no co-operative societies to cater to their needs.

49. The Annual General Meeting of the Shareholders of the Bank was held on 29th September 1951, the Chairman of the Board of Directors, Shri R. G. Saraiya, presiding. The General Meeting while adopting the Balance Sheet and Profit and Loss Accounts approved the payment of a Dividend at the rate of 4% and a bonus at 1%.

VIII. BANKING OPERATIONS.

50. In spite of the fall in the commodity values and a general downward trend in money conditions noticed towards the last quarter of the year under review, the owned capital and the working funds of the Bank showed a steady rise as in previous years, as is indicated in the following table:

(Amount in lakhs of Rupees)

Particulars	30.6.48	30.6.49	30.6.50	30.6.51	30.6.52
A. OWNED FUNDS:					
1. Paid-up share Capital	20.39	20.62	48.26	48.70	59.18
2. Statutory Reserve Fund	7.13	8.16	11.58	12.69	14.01
3. Building Reserve	1.40	1.40	1.40	1.62	1.72
4. Sinking Fund for Debentures	3.07	3.25	3.43	3.61	3.80
5. Reserve for Bad & Doubtful Debts	7.18	7.18	7.16	7.22	6.81
6. Reserve for overdue interest	3.64	3.65	3.65	1.56	1.56
7. Other Reserves	4.79	5.74	6.19	10.46	11.37
Total ...	47.60	50.00	81.67	85.86	98.45
B. WORKING CAPITAL:					
	897.00	1063.00	1044.00	1130.00	1218.00

51. The total reserves of all kinds held by the Bank at the end of the year under review amounted to Rs. 39.27 lakhs as against Rs. 37.16 lakhs of the previous year.

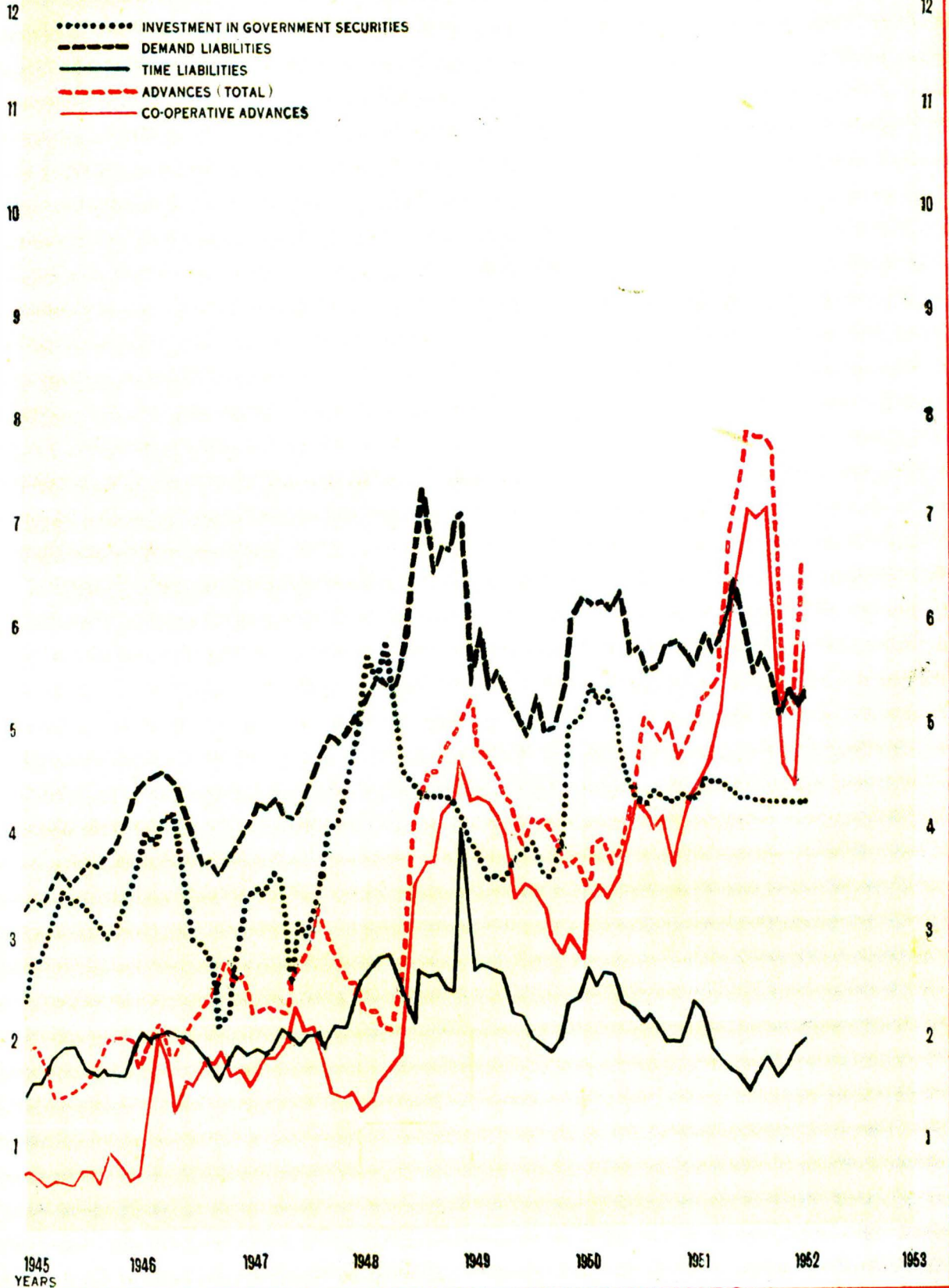
THE BOMBAY STATE CO-OPERATIVE BANK LTD.

1945-1952

PROGRESS CHART SHOWING THE DEPOSITS AND ADVANCES

(RUPEES IN CRORES)

(RUPEES IN CRORES)



Deposit and Loan Liabilities:

52. The deposit and loan liabilities of the Bank as at the end of the last 5 years are shown in the table below:

Particulars	1947-48	1948-49	1949-50	1950-51	1951-52
A. Deposits:					82.98
1. Fixed : (a) Societies	141.77	64.60	94.83	122.55	
(b) Individuals	78.09	115.30	117.36	88.63	104.65
2. Current and Savings :					
(a) Societies	232.86	209.38	233.49	224.55	235.09
(b) Individuals	329.50	330.30	343.56	344.41	315.28
3. Call Deposits ... ..	...	19.00	71.00	17.81	7.81
4. Staff Provident Fund	7.52	8.52	9.74	11.04	12.22
Total ...	789.74	747.10	869.98	808.99	758.03
B. Loans:					
1. Debentures	6.50	6.50	6.50	6.50	6.50
2. Loans from State Government (for Cloth and Yarn) ... ..	...	200.00	5.00	1.00	6.00
3. Advances from Reserve Bank of India for C.F.A.s. ... ..	...	5.00	21.00	36.00	148.34
" for the Bank ... ..	...	...	10.00	97.00	120.00
Total ...	6.50	211.50	42.50	140.50	280.84
GRAND TOTAL OF A & B:	796.24	958.60	912.48	949.49	1038.87

53. The total deposits decreased by Rs. 51 lakhs during the year under review. Fixed deposits from societies decreased by Rs. 39 lakhs while their current and savings deposits increased by Rs. 11 lakhs. Total deposits from individuals decreased by Rs. 13 lakhs. The fall in the deposits from co-operative societies was generally due to the general fall in their deposits, and secondly to the increase in their lending operations, especially of central financing agencies to provide agricultural loans to co-operative societies on an increasing scale thereby reducing the volume of their surplus funds deposited with this Bank.

54. The trend of demand and time liabilities in deposits (excluding debentures and borrowings) of the Bank as at the close of the past 5 years is indicated in the following table:

(Amount in lakhs of Rupees)

Year	A. Time liabilities	Percentage to total deposits	B. Demand liabilities	Percentage to total deposits	Total of A & B	Ratio of A to B
1947-48	227	28.77	562	71.23	789	1:2.47
1948-49	189	25.30	558	74.70	747	1:2.95
1949-50	222	25.52	648	74.48	870	1:2.91
1950-51	248	30.65	561	69.35	809	1:2.26
1951-52	200	26.39	558	73.61	758	1:2.79

The ratio between the time and demand liabilities shows hardly any material variation.

Fluid Resources:

55. Under Rule 18 (a) of the Bombay Co-operative Societies' Rules, the total fluid resources against its deposit liabilities required to be maintained by the Bank, amounted to Rs. 286.39 lakhs, as at the close of the year, while the actual fluid resources of the Bank on that date stood at Rs. 366.84 lakhs, showing a surplus provision of Rs. 80.45 lakhs, as shown hereunder:

			(in lakhs)
1. Cash on hand and with approved Banks (current and at call)			Rs. 79.31
2. 90% of investments in Government and Trustee Securities (less drawings against them)			„ 287.53
		Total	„ 366.84
Less fluid resources required			„ 286.39
Surplus available			„ 80.45

56. As an apex banking institution for the co-operative movement and as a central bank for the co-operative banks not only in the Bombay State but also for co-operative banks in other States, the Bank is required to maintain greater fluidity for its deposit liabilities than is prescribed under Rule 18 (a). The Board of Directors have always endeavoured to maintain this standard, even during the period of financial stringency or in spite of increasing demand from co-operative organisations.

Investments in Government and Trustee Securities:

57. Securities worth nearly Rs. 28 lakhs were sold to meet partially the increased demands for finance under various heads thereby reducing investments in Government securities from Rs. 4.52 crores to Rs. 4.24 crores at the close of the year. In the balance sheet, investments in Government securities are shown at their cost, after providing depreciation to scale down the cost of premium securities to their face value on the date of their maturity. In pursuance of this policy adopted by the Board since 1951, an amount of Rs. 55,840 was written down before arriving at the net profits of this year. An additional provision of Rs. 50,000 was proposed to be made out of the net profits to further augment the Investment Reserve. The book value of our investments as at the end of the year stood at Rs. 4,24,70,478 while their face value stood at Rs. 4,29,19,500 and the market value at Rs. 4,10,82,000. In view of the fact that 75% of the investments mature within 10 years and the rest not later than 15 years, the Board did not

consider it necessary to make any further provision beyond the normal provisions as have already been made.

58. The cash at hand and in Banks at the close of the year, inclusive of deposits with approved banks, was Rs. 79.31 lakhs as against Rs. 83.75 lakhs as at the end of the previous year. The average daily cash on hand and with the Reserve Bank of India, Bombay, was Rs. 58.94 lakhs as against Rs. 57.78 lakhs during the previous year.

Borrowing Rates:

59. The Bank having assumed the responsibility to provide institutional credit to all credit-worthy agriculturists and to function as a central financing agency for all types of co-operative organisations in the Bombay State, had to augment its resources by borrowing from outside the co-operative movement on an increasing scale. There was a fall in deposits from within the movement as explained previously. The Bank rate was increased from 3% to 3½% from 15th November 1951, which resulted in hardening the interest rates. As a result of these factors, the average borrowing rate for deposits was pushed up by .45% over that of the last year as indicated in the following table:

Particulars	1947-48 %	1948-49 %	1949-50 %	1950-51 %	1951-52 %
1. Average borrowing rate for deposits and loans borrowed ...	0.72	1.09	0.92	0.95	1.40
2. Management expenses to deposit and loan liabilities ...	1.41	1.36	1.64	1.77	1.77
3. Net cost of borrowed funds including management expenses	2.13	2.45	2.56	2.72	3.17

Inland Exchange Operations and Remittance of Funds:

60. The Bank has a large number of Urban and Central Banks affiliated to it, not only within the Bombay State but also outside the State. In order to facilitate their banking operations and to arrange for the remittance of funds between the various centres, the Bank acts as a clearing centre and has arrangements for collection of bills, and for drawing of Demand Drafts in almost all the important trading centres, either directly through its branches or through other District or Urban Co-operative Banks and at some places through the Commercial Banks. This has considerably helped the Co-operative Banks to attract deposits from the commercial and business community and to promote banking habits in the rural and semi-urban areas as well as in commercial centres. The following table indicates the volume of such transactions handled by the Bank during the last 5 years;

(Number in Hundreds and Amount in lakhs of Rupees)

	1947-48		1948-49		1949-50		1950-51		1951-52	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Head office:										
1. Drafts issued & local bills collected. ...	570	1,490	515	1,465	535	1,555	557	1,733	578	1,598
2. Upcountry bills discounted and collected	456	364	470	393	510	322	504	339	470	311
Total:	1,026	1,854	985	1,858	1,045	1,877	1,061	2,072	1,048	1,909
Branches:										
1. Drafts issued & local bills collected. ...	1,543	1,775	1,628	2,041	1,747	1,823	1,802	1,780	1,920	1,920
2. Upcountry bills discounted and collected. ...	729	1,227	754	1,435	743	1,246	725	1,224	792	1,242
Total:	2,272	3,002	2,382	3,476	2,490	3,069	2,527	3,004	2,712	3,162
Grant Total:	3,298	4,856	3,367	5,334	3,535	4,946	3,588	5,076	3,760	5,071

61. While the number of bills and drafts shows an increase of 4.8% over that of the previous year, the turn-over is steady at last year's figure owing to the drop in the commodity prices. Owing to the sharp fall in commodity prices, especially of ground-nut, jaggery etc. during February-March, the discounting of bills was suspended as a precautionary measure for nearly six months which mainly accounts for a check on the increasing volume of this type of business.

62. The Reserve Bank of India acting on the recommendations of the Rural Banking Enquiry Committee, liberalised its exchange rates for remittance of funds to and from Bombay, through the Government Treasuries. Free remittances once a week for transfer of funds from branches or central financing agencies having offices at headquarters of branches of the Imperial Bank of India, to their accounts with the Bank at Bombay, were continued. Remittances from Branches of our Bank under this arrangement during the year under review amounted to Rs. 131.50 lakhs, while remittances by mail and telegraphic transfers through treasuries amounted to Rs. 484.91 lakhs, the corresponding amounts during the previous year being Rs. 122.84 lakhs and Rs. 363 lakhs respectively.

63. Besides remittances by the Branches to head office through the agencies of Reserve Bank of India and Sub-Treasuries, inter-branch remittances amounted to Rs. 821.20 lakhs. In order to avoid risk in carrying cash remittances, cash in transit is fully covered by insurance against theft and robbery. Cash in safe at branches and head office was similarly insured for Rs 34.37 lakhs. The insurance premia paid for this purpose was Rs. 17,826-10-0 as against Rs. 15,230-12-0 paid last year.

The Bombay Bankers' Clearing House:

64. Bombay is a terminal centre for trade and commerce and there is a large volume of cheques and bills which is cleared through the Bombay Bankers' Clearing House. The Bank is a member of the Clearing House and most of the Co-operative Banks operating in Bombay City are admitted as sub-members of the Bank in the Bankers' Clearing House. The Bank thus acts as a clearing agent for co-operative institutions in the Bombay State as well as in other States and also for its constituents. With the increase in the number of the branches of the Bank and other Central financing agencies and with the increase in the number of sub-member banks, the average number of cheques drawn on other banks cleared by the Bank on behalf of the customers and the number of cheques drawn on the bank and cleared by other banks increased during the year under review. It would be seen from the following table that this facility offered by the Bank has been availed of in an increasing measure by co-operative banks and Bank's constituents.

Year	No. of Sub-Members	Number and amount of Cheques on Banks in Bombay cleared per day		Number and amount of cheques on this Bank cleared per day	
		No.	Amount	No.	Amount
1947-48	15	1042	Not available	1237	Not available
1948-49	14	1015	Rs. 22.96 lacs	1286	Rs. 18.68 lacs
1949-50	14	1075	Rs. 26.25 "	1443	Rs. 23.58 "
1950-51	20	1409	Rs. 24.95 "	1863	Rs. 22.90 "
1951-52	22	1450		1938	

The daily average number of cheques drawn on sub-member banks was 772 and the daily average amount was Rs. 4.12 lakhs as against 770 and Rs. 4.22 lakhs respectively, during the previous year.

IX. LOAN OPERATIONS.

Central Financing Agencies:

65. In addition to the financial accommodation secured for the central financing agencies from the Reserve Bank of India, as detailed in paragraph 24, advances to Central Banks and Banking Unions are usually made by this Bank as overdrafts against pledge of Government or Trustee Securities and as cash credits secured against co-operative paper and/or hypothecation of goods.

66. During the year under review, 26 co-operative central financing institutions including 3 apex co-operative financing institutions of other States were provided financial accommodation by the Bank, the accommodation granted to the latter being against gilt-edged securities as per provisions of bye-law 72 (i) (3). The limits sanctioned to and outstandings with the central financing agencies at the close of the year, as compared with previous two years, are as under:

(Amount in laes of Rupees)

Nature of Accommodation	Limits sanctioned			Amount outstanding		
	1952	1951	1950	1952	1951	1950
1. Cash Credits ...	62.25	36.75	16.25	8.49	13.81	2.13
2. Overdrafts (against Govt. Securities) ...	137.10	147.30	141.48	14.49	31.72	11.23
3. Fixed Loan (against Bank's Fixed Deposits)	0.45	1.35	5.05	nil	0.45	nil

67. Out of the total limits of Rs. 62.25 lakhs sanctioned as cash credits, Rs. 19.75 lakhs were sanctioned to 9 central financing agencies for financing agricultural operations and Rs. 4.80 lakhs were due on this account at the close of the year. Of the remaining limits, Rs. 10 lakhs were sanctioned to a District Central Co-operative Bank for financing Industrial Association and other industrial societies.

68. There was a marked decrease in the amount of cash credits and overdraft limits utilised by the central banks, mainly due to the increased use of the financial accommodation available from the Reserve Bank of India and secondly to the releasing of some of their advances made to societies for distribution activities.

Primary Land Mortgage Banks:

69. Before the Bombay Provincial Co-operative Land Mortgage Bank was organised in the year 1936, there were three Primary Land Mortgage Banks, one in each of the three linguistic divisions of the then Bombay Province, and were financed by this Bank direct. The Broach Land Mortgage Bank cleared its loans in 1943. The Dharwar and Pachora Land Mortgage Banks were still indebted to the Bank, as under:

Name of the Bank		1949-1950		1950-1951		1951-1952	
		Princi- pal	Inter- est	Princi- pal	Inter- est	Princi- pal	Inter- est
1. Dharwar	Rs.	13,473	18,230	12,573	18,322	12,573	19,015
2. Pachora	Rs.	9,529	5,134	9,341	5,305	9,341	5,821

In addition to the above, a sum of Rs. 4,770 was due from the Pachora Bank, which was advanced for meeting its management expenses in the initial stage. The recoveries from both the Banks are very slow though the outstandings are overdue since long.

Ordinary (Short term) Loans:

70. The progress of the scheme of agricultural credit organisation has already been indicated previously in this review. As a result of the various legislative measures like the Bombay Agricultural Debtors' Relief Act and the Bombay Moneylenders Act, the sources of credit open to the primary producer have been curtailed, if not entirely denied. There is, therefore, an increase in the demands for seasonal finance from the members of societies. This demand is further stimulated by two factors which were markedly noticed during the year. The surplus from the agricultural income has now considerably shrunk owing to the fall in prices of agricultural produce without corresponding decrease in the cost of production and secondly, to an increasing tendency to employ agricultural machinery and to improve cultivation methods or irrigation facilities, which necessitate increasing expenses for raising of crops. In addition to these factors, the rains having failed, scarcity and near-famine conditions prevailed in north Gujarat, Panchmahals and parts of Khandesh, Nasik and Satara districts, which necessitated provision for additional finance for next year's crops and for maintenance of farm cattle and farm labour.

71. As a central financing agency directly operating in nearly nine districts, the Bank had to meet the demands for seasonal agricultural operations (excluding "crop loans" to agricultural debtors) from co-operative societies, as is indicated in the following table, which shows the volume of increase in the loans advanced and the amount outstanding at the close of the last five years:

Year	Loans outstanding at the commencement of the year		Advances made during the year	Repayments made during the Year	Loans outstanding at the end of the year		Increase percentage in	
	No. of societies Rs.	Amount (in lacs) Rs.	Amount (in lacs) Rs.	Amount (in lacs) Rs.	No. of societies	Amount (in lacs) Rs.	No. of stys.	Amount
1947-48	1370	37.74	50.05	50.69	1436	37.10	4.7	— 1.7
1948-49	1436	37.10	68.98	54.19	1549	51.89	7.8	39.9
1949-50	1549	51.89	102.49	79.67	1802	74.71	16.3	44.0
1950-51	1802	74.71	164.55	120.54	1985	118.72	10.1	58.9
1951-52	1985	118.72	219.31	162.98	2468	175.05	24.3	47.4

72. It would be observed that during the five years, while the number of borrowing societies has increased from 1,370 to 2,468, the extent of

loans outstanding has increased from Rs. 37.74 lakhs in 1947 to Rs. 175.05 lakhs, at the close of the year under review, which indicates an increase of nearly 500%.

Crop Loans (to Agricultural Debtors):

73. With the application of the Bombay Agricultural Debtors' Relief Act to the whole of the Bombay State, including the merged States, the extent of the agricultural finance allowed to agricultural debtors who are parties to the proceedings or awards under the Bombay Agricultural Debtors' Relief Act, within limits approved by the Collectors under Rule 39 of the said Act, has increased for the same reasons as in case of short term loans. While assessing the credit requirements of a society, as a general rule, the societies were asked to utilise their own funds to meet the demands for seasonal finance of their "Debtor" members. The Government of Bombay have given a guarantee of 5% of the 'crop loans' advanced by co-operatives and central financing agencies, to meet any bad debts in the advances made to agricultural debtors who are not permitted to alienate their agricultural holdings. The Bank has claimed payment of guarantee amount for the years 1949-1951 in respect of the overdues for more than two years outstanding with societies, but no payment has so far been received.

74. The following table indicates the extent of advances, recoveries and outstandings of 'crop loans' during the previous 5 years:

Year	Loans outstanding at the commencement of the year		Advances made during the year	Repayments made during the year	Loans outstanding at the end of the year	
	No. of societies	Amount (in laes)	Amount (in laes)	Amount (in laes)	No. of societies	Amount (in laes)
1947-48	387	Rs. 4.38	Rs. 17.34	Rs. 7.80	896	Rs. 13.92
1948-49	896	13.92	28.93	21.42	1137	21.43
1949-50	1137	21.43	36.16	29.35	1247	28.24
1950-51	1247	28.24	43.79	39.29	1182	32.74
1951-52	1182	32.74	46.72	43.38	1063	36.08

75. The extent of increase in the agricultural loans in respect of short term and 'crop loans' under the Bombay Agricultural Debtors' Relief Act during the last five years is indicated in the following table:

(Amount in laes of Rupees)

Year	Advances made during the year			Repayments during the year			Balance at the end of the year			Increase over previous year
	S.T.	Crop.	Total	S.T.	Crop.	Total	S.T.	Crop.	Total	
1947-48	50.05	17.34	67.39	50.69	7.80	58.49	37.10	13.92	51.02	21%
1948-49	68.98	28.93	97.91	54.19	21.42	75.61	51.89	21.43	73.32	43%
1949-50	102.49	36.16	138.65	79.67	29.35	109.02	74.71	28.24	102.95	40%
1950-51	164.55	43.79	208.34	120.54	39.29	159.83	118.72	32.74	151.46	47%
1951-52	219.31	46.72	266.03	162.98	43.38	206.36	175.05	36.08	211.13	39%

76. The total agricultural loans outstanding at the close of the year recorded an increase of 39% over the previous year's outstandings, while they increased more than four-fold since 1948 although the number of societies had increased by only 80% from 1370 in 1948 to 2468 at the end of the year 1951-52. The increase in the volume of advances was due not only to the increase in the number of societies, but also due to a substantial increase in their membership and the quantum of loans advanced to individuals, due to various reasons such as (i) increase in the scale of finance allowed for cultivation expenses, (ii) improvement in agricultural industry requiring increased expenditure, (iii) intensive cultivation of commercial crops like sugarcane, tobacco and potato and (iv) fall in commodity prices resulting in shrinkage of margin of surplus from the industry.

Finance for special crops:

77. (1) *Potato*: During the war, the Government through the Agricultural Department had encouraged cultivators to increase the area under potato crop in some parts of the State, in Gujarat, Nasik, Satara and Poona, by advancing seed and manures on credit by way of tagavi loans. Potato-seed was procured from Simla and manure mixtures were supplied on credit. After the close of the war, the scheme of potato extension was discontinued and Government issued orders to entrust the financing of the crop to co-operative societies. In accordance with this policy, demands from cultivators for purchase and supply of Simla seed and for purchase of manures were entertained by co-operative societies in Nasik, Poona, Satara and Banaskantha districts. During the year under review, finance for potato cultivation to the extent of Rs. 9.44 lakhs was sanctioned, of which Rs. 7.68 lakhs were advanced as under:

Banaskatha District	...	...	...	Rs. 2,75,000
Nasik District	...	...	...	„ 4,12,000
Satara District	...	...	...	„ 2,57,000
				<hr/>
				Rs. 9,44,000
				<hr/>

Finance was provided for seed and manures at an average scale of Rs. 700 per acre in the river bed cultivation in Banaskantha district and Rs. 350 to Rs. 400 per acre in Nasik district, where seed from Simla was supplied and at Rs. 250 to Rs. 300 in Satara District where the seed is obtained locally from Poona district. The scheme worked satisfactorily and has been popular. However, at Deesa, some of the large operators who were financed through the Potato Growers' Association, failed to repay their advances owing to fall in prices and shortage of waggons, while in Satara district, the crop failed owing to want of sufficient rains. Partial repayments were secured and extension had to be allowed in case of exceptionally damaged crops. During the

1952-53 season, it is proposed to continue the scheme and to further systematise and regulate the loans, especially in respect of purchases of seed from Simla and sale of the crop through co-operative agency, to ensure better production and to secure better prices for the crop.

✓(2) *Sugarcane*: There is considerable area under sugarcane crop on the Deccan canals in Ahmednagar, Nasik, Poona and Sholapur districts. There is also a very large acreage under sugarcane in Kolhapur district and parts of South Satara district on lift irrigation. Owing to the high prices obtained for jaggery during the War, the cultivation of sugarcane increased enormously in other districts on lift irrigation. Sugarcane crop requires scientific cultivation, regular water supply and high doses of manures. The scale of finance allowed was generally based on the crop yields and ranged from Rs. 300 to Rs. 800 per acre according to the nature of the crop on canal or lift irrigation and the yield of cane produced per acre. The total approximate area under sugarcane crop financed during the year under review was 20,758 acres and the total finance provided was approximately Rs. 63.36 lakhs. During the year under review, the jaggery prices went down sharply from Rs. 21 per B. Maund to Rs. 8 per B. Maund, which hit hard the sugarcane growers, particularly those who had sugarcane on lift irrigation on well water, who could not get an yield of more than 25 tons of cane per acre, and as a result, loans advanced for cultivation of sugarcane could not be recovered in full in a fairly large number of cases. This is bound to react in contraction of acreage under sugarcane next season. Owing to the reduction in the price of jaggery and also of manures, the scale of finance provided has been reduced this year.

Famine Loans:

78. During the year under review, severe scarcity conditions verging on famine prevailed in Viramgam and Dhandhuka talukas of the Ahmedabad district and some talukas of the Panchmahals district. Special measures were taken to provide famine loans repayable in two yearly instalments for next year's seed requirements and for maintenance of cattle. While granting extension of time to previous borrowings, the Bank sanctioned additional loans at Rs. 10 per acre of cultivated land. The extent of such loans sanctioned during the year under review was approximately Rs. 9.34 lakhs.

Unauthorised Arrears:

79. The agricultural season during the year under review was not on the whole satisfactory. The sharp and sudden drop in prices of agricultural commodities at the commencement of the harvesting season adversely affected the progress of repayments, which had already been hit by a bad harvest. Scarcity conditions prevailed in north Gujarat, Panchamahals and parts of Nasik, West Khandesh and Satara districts. The paddy crop in Konkan tract was partially damaged for want of timely rainfall. These conditions contributed largely to the shrinkage of recoveries. Although recoveries were satisfactory in some parts, they were not as satisfactory as in the previous year. With the increasing number of borrowing societies and increase in the

volume of business, the unauthorised arrears showed considerable increase over the last year's figure both under short term and crop loans. Inefficient secretarial arrangements or mismanagement and diversion of attention to distribution activities at the neglect of the recovery work, in a few societies, were responsible for the slackness in efforts to secure timely repayments. During the year under review, extensions were granted to societies where the crop conditions were unsatisfactory. The following table indicates the extent of unauthorised and authorised arrears during the last five years:

Year	Unauthorised arrears :		% to total dues	Authorised arrears :		% to total dues	Overdue Interest	
	No. of societies	Amount (in lacs) Rs.		No. of societies	Amount (in lacs) Rs.		No. of societies	Amount Rs.
1947-48								
S. T.	231	3.59	9.40	15	.09	0.24	45	9,951
Crop	125	0.94	6.74	...	...	...	128	3,576
1948-49								
S. T.	249	5.37	10.32	43	1.20	2.31	37	7,004
Crop	193	2.49	11.60	...	...	...	24	775
1949-50								
S. T.	333	5.75	7.69	...	...	...	31	11,578
Crop	237	2.64	9.33	...	...	...	19	670
1950-51								
S. T.	376	9.08	7.65	...	..	...	37	9,028
Crop	242	2.66	8.14	...	...	...	17	801
1951-52								
S. T.	867	33.13	18.92	90	13.07	7.46	84	22,589
Crop	388	7.74	21.45	9	.28	0.77	26	3,810

NOTE: Extensions have been granted for Rs. 19.63 lakhs to 258 societies after the close of the year, reducing the unauthorised arrears to Rs. 21.24 lakhs.

80. The arrears of crop loans allowed to members of the Bank and to societies under the Bombay Agricultural Debtors' Relief Act, which are overdue for more than 24 months, are to be reimbursed by the Government to the extent of 5 per cent of total loans advanced during any particular year.

Intermediate Term Loans:

81. Although provision for intermediate term finance was made in the scheme for agricultural and marketing finance to credit-worthy agriculturists, actually only a few applications from agriculturists were sanctioned mainly for the purchase of pumping sets for irrigation. The amount of intermediate term loans advanced during the year amounted to Rs. 30,487. The outstandings at the close of the year stood at Rs. 38,074.

Land Improvement Loans:

82. Land improvement loans were advanced to co-operative societies by the Bank in the past, out of funds kept at its disposal by the Bombay Government under the Land Improvement Loans Rules 1922. The outstandings of Rs. 4,232 under this head at the close of the previous year were due from Navalgund Co-operative Society in the Dharwar district. The amount was written off from the Bad and Doubtful Debt Reserve. There was no balance at the close of the year.

Long Term Loans:

83. Long term loans were made in the past for the redemption of old debts and for land improvement. With the establishment of the Provincial Land Mortgage Bank, the Bank has ceased to advance long term loans. No new loans were made during the year and the outstandings represent the balance of the old advances. During the year under review, Rs. 5,210 were recovered from 3 societies leaving a balance of Rs. 163 with one society. The entire amount is overdue since long. In addition, a sum of Rs. 8,388 was written off from the Bad and Doubtful Debts Reserve an account of the outstandings from two societies in the Dharwar district.

Societies in Liquidation:

84. 160 societies in liquidation were indebted to the Bank at the close of the year, of which 103 societies were indebted to the Bank for principal and interest, while 57 societies had outstandings on account of interest after the date of liquidation, as indicated in the following table:

Year	No. of Stys. in liq. and loans outstanding at the beginning of the year		No. and amount due from societies cancelled during the year		Repayments received during the year		Balance at the close of the year	
	No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.
1947-48	135	5,54,146	1	6,353	16	36,711	120	5,23,788
1948-49	120	5,23,788	4	10,875	10	51,448	114	4,83,215
1949-50	114	4,83,215	3	4,030	9	43,996	108	4,40,946
1950-51	108	4,40,946	5	35,642	3	51,106	110	4,25,488
1951-52	110	4,25,488	2	1,760	4	16,117	103	3,72,509
						(written off Rs. 38,622)		

85. At the commencement of the year, Rs. 4,25,488 were due from 110 liquidated societies including the Nasik District Central Co-operative Bank and the Kaira District Central Co-operative Bank in liquidation. During the year under review, 2 societies with total outstandings of Rs. 1,760 were taken into liquidation. Repayments to the extent of Rs. 16,117 from 4 societies were received while Rs. 38,622 due from five societies were written off

including a sum of Rs. 34,242 on account of the dues from the Kaira District Central Co-operative Bank in liquidation. During the year under review, no interest after liquidation was recovered from any society under liquidation.

86. Repayments from societies in liquidation are not satisfactory as compared to the previous year's repayments. The main reason for the fall in the recoveries is that the present outstandings with most of the societies are due from members having practically no assets or from defaulters against whom legal proceedings are in progress, which process is of a protracted nature. Defaulters' lands taken over in the process of execution of awards and liquidation orders under Section 59 (B) of the Co-operative Societies Act could not be sold or re-conveyed to the original owners, due mainly to their inability to settle their accounts. The lands taken in possession in execution proceedings are generally reconveyed to the original owners by giving liberal remissions in interest and in some cases, even in principal, if repayments are secured in cash.

87. Out of 160 societies, 65 societies with outstandings of Rs. 1,88,612 representing 50.6% of the total outstandings were taken into liquidation prior to the year 1940. As the agricultural depression had adversely affected agricultural economy prior to World War II, the defaulters were unable to reduce their borrowings and substantial amounts, even of principal, had to be written off. The present balances are, therefore, due from a class of borrowers who have either no assets left or are evading repayments. Bank Inspectors, who are appointed as liquidators, have been instructed to secure recoveries by offering liberal terms of compromise and to dispose off the lands in possession of societies in liquidation. The attention of the Registrar of Co-operative Societies is specifically drawn to the abnormal delays in the final closing of the liquidation proceedings and he is requested to issue special instructions to the Special Recovery Officers to pay particular attention to the long-standing awards or liquidation orders and bring the execution proceedings to a close within a specified time limit, so as to enable the liquidators to close the protracted liquidation proceedings.

88. During the year under review, a compromise was effected with the new Kaira District Central Co-operative Bank whereby dues of Rs. 4,379-11-9 as principal recoverable from five agricultural credit societies in Matar taluka and dues of Rs. 43,242-12-3 as principal recoverable from the Kaira District Bank in liquidation were transferred to the new Kaira District Central Co-operative Bank for cash payment of Rs. 9,000 including a sum of Rs. 1,105 already recovered by the liquidator and paid to the Bank. A total amount of Rs. 38,622-8-0 was written off in this transaction, Rs. 28,214 out of provision in Bad and Doubtful Debt Reserve and Rs. 10,408-8-0 out of current year's profit. The Kaira District Central Co-operative Bank paid the amount of compromise in cash and it was authorised to recover the dues from the liquidated societies.

NON-AGRICULTURAL SOCIETIES.

Urban Banks and Societies:

89. Generally, Urban Co-operative Banks are expected to tap local capital and to regulate their loaning business within their own resources, without drawing upon the central financing agencies to any large extent. However, usually Urban Banks have to seek financial accommodation during the busy season. Major portion of such accommodation is given against pledge of Government and Trustee Securities. In case of newly organised banks or in case of urban societies in semi-urban towns, financial accommodation by way of cash credits against their general assets and/or against pledge or hypothecation of goods or against fixed deposits with this Bank is granted in the initial years. Urban Banks, outside the jurisdiction of this Bank, were allowed accommodation as overdrafts on current accounts or as fixed loans, against pledge of approved Government and other trustee securities.

90. The details of the various types of advances made to urban banks and societies during the year under review, are indicated in the following table, with comparative figures for the previous five years:

(Amount in lakhs of Rupees)

Year	Overdrafts on Current Account			Loans against Govt. Securities			Loans Against Bank's Fixed Deposits		
	No. of Banks	Limits sanctioned	Out-standings	No. of Banks	Limits sanctioned	Out-standings	No. of Banks	Limits sanctioned	Out-standings
1947-48	93	82.09	19.47	3	1.53	0.25	8	5.46	3.35
1948-49	107	101.05	30.53	...	...	...	19	6.28	4.17
1949-50	120	134.65	31.10	6	1.32	0.42	12	7.03	2.89
1950-51	136	189.44	55.26	6	1.33	0.74	11	3.33	0.71
1951-52	158	177.69	66.16	10	6.92	6.16	9	2.35	0.20

(Amount in lakhs of Rupees)

Year	Cash Credits						Total out-standings at the close of the year
	against General Assets			Against hypothecation and pledge of goods.			
	No.	Limits sanctioned	Outstanding	No.	Limits sanctioned	Outstandings	
1947-48	49	15.67	4.19	17	6.17	3.54	30.80
1948-49	39	15.09	10.84	16	11.79	7.27	52.81
1949-50	57	39.48	8.71	25	20.51	16.11	59.23
1950-51	69	39.95	24.91	28	20.10	11.03	92.65
1951-52	67	45.99	28.95	8	9.06	2.08	103.55

91. Owing to increase in the membership of the urban banks and larger demand for loans, particularly in areas where they financed their members for commerce or trading activities, the advances particularly on overdraft accounts or clean cash credits, increased by nearly Rs. 15 lakhs, while some of the Employees' Co-operatives have had to approach the Bank for increased financial accommodation owing to curtailment of other sources of credit hitherto available to this class of persons. In consideration of the increased demand for agricultural finance, the Board of Directors had to limit the accommodation to urban societies within the credits sanctioned in previous years.

92. During the year under review, the weakness in the administration of some of the major urban banks was revealed and two or three urban banks had to suspend their business owing to fraudulent transactions resulting in heavy losses or locking of their funds with large borrowers, who were unable to discharge their obligations owing to the losses sustained by them in their business. These banks approached the Managing Director, Shri V. P. Varde, and sought his advice and guidance. With his advice and the financial assistance made available by the State Co-operative Bank to tide over their financial difficulties, it has been possible to rehabilitate and reconstruct their working and to create confidence not only in the banks concerned, in which confidence of the depositing public was rudely shaken, but in the co-operative institutions in general. Had it not been for the timely action taken by the managements of banks on the advice and guidance from Shri V. P. Varde and his active interest in the schemes for reconstruction and for the financial assistance promised by the State Bank, it would not have been possible for the banks to tide over their difficulties. This experience brings in bold relief the necessity for regular and thorough inspections either by the Co-operative Department or the Apex Bank.

Industrial Societies:

93. Small scale industries like Tanning, Rope-making, Oil-ghanies and cottage industries like weaving play a very important role in our rural economy. Against the competition of large scale industries, cottage or village industries cannot be sustained, much less developed. The Government have, therefore, devoted special attention to rehabilitate and organise industrial workers, by forming co-operative societies and by giving them special concessions. A separate section in the Co-operative Department, for Industrial Co-operatives and Village Industries, has been created under a Joint Registrar with a view to supervise the working of industrial societies and to provide them with the necessary technical and organisational guidance and financial help. District Industrial Associations have been organised in most of the districts and various types of primary industrial co-operatives covering important rural industries such as weaving, oil-pressing, tanning, carpentry, rope-making, pottery, etc., have been organised. The Government has given substantial grants to the Provincial Industrial Co-operative Association for promotional activities. During the period of control on yarn and cloth, the

Provincial Industrial Association and some of the District Industrial Associations were entrusted with the whole-sale distribution of yarn, mainly required for the hand-loom industry. Where the Industrial Associations did not have adequate funds to undertake this activity, Government guaranteed to the financing banks the normal trade margins which the borrowing institutions were unable to maintain. Government extends financial assistance to industrial societies in their initial stages, by way of long-term loans on easy terms, for purchase of implements, machinery and other equipment or provides part of their working capital by contribution to their share capital returnable after a specified period. In addition, Government grants subsidies to such societies for meeting secretarial and other working expenses in the initial stages. The Government undertakes to guarantee margins on certain conditions, for the loans granted to industrial societies by the central financing agencies for providing working capital for purchase of raw material or finished goods.

94. The "Indusco", however, for various reasons, has not yet taken deep roots among the workers, inspite of the assistance from the Government. The main handicaps in the efficient working of industrial societies are the want of adequate financial stake and lack of loyalty, which generally retard their growth. The members being illiterate and unorganised and generally economically backward, are exploited by the trader or the financier or sometimes by their own master-craftsman, who instead of assisting the growth of the institutions, indirectly try to undermine their working. Secondly, the management rests either with the illiterate and inexperienced persons or some unscrupulous persons whom the Committees are unable to control, which very often leads to misuse and sometimes misappropriation of funds for personal ends. The last but not the least is the difficulty experienced in the disposal and sale of the articles prepared by the artisans in the absence of an organised sales agency. As the societies have to depend on the local traders or the local market for sale of their products, the societies are not in a position to give the members better advantage over other traders or dealers and thereby cannot secure their confidence. From the banker's point of view, therefore, such under-capitalised, uneconomic, inefficient and unco-ordinated institutions are not considered as 'credit-worthy' institutions. In spite of the Government guarantee and technical assistance, most of the organisations are not able to make any sustained effort to build up a strong 'indusco'. Though the Board of Directors have every sympathy for the development of small scale and cottage industries on a sound co-operative system, it is unable to render any considerable financial assistance in their present stage, unless the Government or the Joint Registrar is able to provide adequate safeguards to ensure not only the safety of the funds loaned out to them, but also to ensure steady progress and strength both in their capital resources and efficiency of management.

95. During the year under review, the Bank sanctioned cash credits to the extent of Rs. 62.20 lakhs to 117 industrial societies of different types,

of which 6 were Industrial Associations including the Provincial Industrial Association, 4 were Industrial Banks, 45 were Weavers societies, 17 Forest Labourers' societies, 5 Leather Workers' and Tanners' societies, 2 Oil-men's societies, 9 Fishermen's societies and remaining 29 were miscellaneous societies for other industries like, carpentry, rope-making, bamboo work, etc.

96. The following table gives comparative figures for the finance made available by the Bank to Industrial Co-operatives during the last five years:

(Amount in lakhs of Rupees)

Year	No. of borrowing institutions	Total limits of cash credit sanctioned	Outstandings at the close of the year
1947-48	66	18.71	7.11
1948-49	90	24.50	11.64
1949-50	105	27.87	13.65
1950-51	125	63.55	38.13
1951-52	120	62.20	35.98

97. The central financing agencies used to provide financial accommodation to all types of co-operative institutions in this State. However, there was a feeling that District Central Co-operative Banks by their very constitution which provides a majority of representatives of agricultural societies on their Board of Management, were unsuited to cater to the needs of the industrial societies, more especially when the central banks were charged with the responsibility of financing all credit-worthy agriculturist borrowers. It was also thought that creation of separate banking institutions for industrial co-operatives, would attract the savings of the industrial workers, like weavers and artisans, and thereby pool their own savings for financing the small scale and cottage industries and reduce the strain on the central banks, and at the same time enable the industrial banks to get the advantage of having a Directorate possessing technical knowledge and commanding the confidence of the industrial societies and their members. With this view, Government authorised, as an experimental measure, formation of District Industrial Co-operative Banks in the Sholapur, Bijapur, Belgaum and Surat Districts, where the weaving industry was well organised on co-operative lines and where the weavers' societies required considerable amount of financial accommodation.

98. However, the experience of the working of the four District Industrial Banks indicates that except Surat, the other Banks have not made any appreciable progress in tapping the savings of the industrial workers to build up their resources and have still to depend on the financial accommodation from the State Co-operative Bank. Consequently, the bigger industrial societies in the districts have still to seek direct financial accommodation from the central banks. The Industrial Banks are not able to

extend their finance to all the industrial societies in their respective districts. The Banks were also unable to undertake inspection and supervision of the affiliated industrial societies or to undertake the scrutiny of loan applications by persons possessing technical knowledge of the industries or having proper training in that behalf. The purpose with which the Industrial Banks were organised in the four districts has not, therefore, been adequately met and greater efforts to make them efficient and useful are called for.

99. The State Co-operative Bank was recognised as the central financing agency for the Industrial Banks operating in the various districts. All the four Industrial Co-operative Banks at Belgaum, Sholapur, Bijapur and Surat (Southern Gujerat) were sanctioned cash credits, totalling Rs. 7 lakhs against Rs. 5 lakhs for the previous year and their drawings at the close of the year amounted to Rs. 72,443.

The Provincial Industrial Association:

100. The main functions of the Provincial Industrial Association are to promote industrial co-operatives in the districts and to co-ordinate their activities. In addition to its normal functions, it undertook distribution of yarn, as a zonal distributor, to the Industrial Associations and Weavers' societies and also worked as a District whole-saler for yarn for five districts where there were no District Industrial Associations to undertake this work. The aggregate value of yarn purchases during the year under review amounted to Rs. 368 lakhs, while the total sales amounted to Rs. 323 lakhs. Sales show a substantial increase over the previous year's sales, due to easing of the position of supply of yarn from mills during the year. However, the Government released control on yarn during the second half of the year under review, as a result of which the Provincial and District Associations and Weavers' societies had to suspend yarn distribution from March 1952. Absence of demand for the large unsold stocks in their possession and their partial sale at reduced prices, materially affected the Associations' net profits.

101. The Provincial Association secured orders for the supply of textile and other goods from Government or dealers and passed them to the District Industrial Associations and Weavers' societies for manufacture and supply of cloth and other materials according to specifications. It continued to help the tanners', leather workers', weavers' and other industrial societies by supplying them with raw materials and by arranging for sale of their finished products. The aggregate value of such orders secured by the Association amounted to Rs. 6,72,000. As in the previous year, the Association sponsored six Forest Labourers' Societies. A scheme for marketing of timber and charcoal produced by Forest Labourers' Societies was drawn up and was submitted to Government, which was considered by the Planning Committee for Forest Labourers' Societies. In order to afford a wider field for the activities of producers' societies, the association established contacts

with the Central and State Governments for supplying their Stores Purchase Departments, leather goods, textiles and variety of other articles. It took over from the Government their "Cottage and Small Scale Industries Depot" at Bombay as from 1st April 1952 and has been managing it with considerable success and with better turnover and sales of cottage industries products. A total credit limit of Rs. 10 lakhs was sanctioned to the Provincial Association for yarn distribution against Government guarantee for a margin of 20%, of which Rs. 2 lakhs was made available at Palanpur, through the Palanpur branch of the Bank.

District and other Industrial Associations:

102. During the year under review, 5 District Industrial Associations were sanctioned cash credits totalling Rs. 18.50 lakhs as against a total limit of Rs. 15.90 lakhs for the previous year, inclusive of the cash credit sanctioned to the Weavers' Association at Malegaon. No limit was sanctioned this year to the Malegaon Weavers' Association. The total outstanding out of the credits for the year under review amounted to Rs. 14.96 lakhs. An amount of Rs. 1,42,302 due from the Belgaum District Industrial Association is overdue and its recovery is held up due to inability of the Association to recover outstanding bills from the Government. The Bank has, therefore, claimed the amount of Government guarantee on which the credit was sanctioned to this Association. As the yarn supply position improved since January 1952, the large stocks purchased previously by most of the Associations could not be disposed of in the latter part of the year due to availability of yarn in the open market at lower rates. With a view to dispose of the accumulated stocks, the Joint Registrar, Industrial Cooperatives and Village Industries, Poona, advised all wholesalers not to purchase fresh quotas even if allotted by Government. The wholesalers, however, found it advantageous to purchase some fresh stocks of coarser counts available at cheaper rates, to enable them to liquidate the previous stocks. Though this helped them in reducing the stocks and to reduce the losses on the old stocks partially, most of the associations and weavers' societies, which were left with large unsold stocks of yarn when yarn was de-controlled, suffered substantial losses in yarn distribution and have still not been able to dispose of the stocks entirely.

Weavers' Societies:

103. The supply of yarn showed some improvement during the first part of the year under review and the Weavers' Societies which dealt in retail yarn, as their main activity, were in need of larger financial accommodation to purchase available yarn supplies. Some of them which undertook production activities to meet orders received through the Provincial Industrial Association had also to purchase larger stocks for this activity. There was, therefore, an increased demand for financial accommodation during the year from the Weavers' Societies. In all 45 Weavers' Societies were granted total credits for Rs. 16.80 lakhs as against Rs. 8.58 lakhs to 38 societies

during the previous year, additional or new limits having been sanctioned to societies under Malegaon, Yeola, Bhiwandi and Palanpur branches. However, owing to the decontrol of yarn towards the end of the year under review, drawings from Weavers' Societies amounted to Rs. 1.78 lakhs at the close of the year. In general, no accumulation of unsaleable yarn stocks was noticed with societies dealing in retail distribution.

Societies from Backward Areas:

104. As mentioned in the last year's review, in pursuance of the Government's policy for the social and economic uplift of the backward communities, the Sarvodaya centres established under the supervision of the social service institutions like the Adiwasi Seva Mandal, the Dang Seva Mandal, the Swaraj Ashram or the Bhil Seva Mandal were continued at various centres. The Sarvodaya centres or the social workers associated with them, promoted formation of co-operative societies in the neighbouring villages, with a view to provide their members with finance for agricultural operations. The scheme continued to be in operation in parts of Navapur and Nandurbar talukas of West Khandesh district, Malkam Peta (Mahabaleshwar) in North Satara district and in Sabarkantha and Banaskantha districts. The Bank, as in the previous year, granted financial accommodation to co-operative societies in backward areas for agricultural loans to members and for conducting ration shops or for distribution of controlled commodities.

105. The lands in the backward areas are held under restricted tenures and the tillers have no ownership rights over the lands they cultivate. In some areas formed out of the merged States, there was no Record of Rights. Generally, agricultural economy was underdeveloped and the people were illiterate and socially and economically backward. These conditions expose the co-operative societies to considerable risks both financial and administrative and render the loans insecure. The Government were, therefore, requested last year, to take special measures to safeguard the interests of the financing agencies, by taking suitable measures for appointment of efficient and trained secretaries and to provide suitable guarantee to the financing agencies, as in the case of crop loans to agricultural debtors, to enable the societies to take more effective measures to improve agriculture and marketing of crops.

Forest Labourers' Societies:

106. In pursuance of the announcement made on 5th April 1947 by the then Chief Minister, Hon'ble Shri B. G. Kher, to substitute forest contractors by an organisation of the forest workers, in order to secure better wages and working conditions and to improve their economic and social standard in different forest areas, co-operative societies for forest labourers were organised as an experimental measure. The underlying object of this new scheme was not only to secure better wages to the workers but also to gradually educate them in their rights and responsibilities of conserving and exploiting the forests, a national asset, in their own interests and in the inter-

ests of the country and thus bring about economic and social progress of the backward tribes, by relieving them from bondage from forest contractors. A Committee for Planning the Development of Forest Labourers' Societies, consisting of the representatives of social organisations working for the betterment of the backward class people, who served as sponsoring agencies for forest labour societies and officers of the Forest and Co-operative Departments, was constituted, and the Committee was charged with the responsibility of directing and developing their activities. Since the introduction of this system in 1947, more than 100 co-operative societies for forest labourers were organised in different districts of the State and forest coupes were allotted to them for exploitation. As most of the societies had no working funds or any capital of their own, the Government authorised the Joint Registrar, I.C. and V.I., to guarantee to the central financing agencies a margin of 40% of the advances made by them against the forest produce obtained by them from the working of the coupes. The financial accommodation granted by the Bank under this arrangement amounted to Rs. 10 lakhs in the year 1950-51 to provide finance to 30 societies, including the societies operating in the Dangs District.

107. The experience of the working of the Forest Labour Co-operatives, unfortunately, has not been very encouraging, especially from the financing point of view. There have been several difficulties some of which are beyond the control of the co-operatives, in the regular and efficient working of such institutions. Foremost of the difficulties is the lack of transport facilities by rail for carrying the heavy stocks of timber in the Dangs district. In spite of several representations to the railway authorities, till recently the supply of waggons has not been satisfactory with the result that large stocks have accumulated and the funds of the societies are locked up. Secondly, there have been disputes over the upset price fixed by the authorities of the Forest Department, with the result that some of the societies have not been able to realise adequate material after working out the coupes as was anticipated and the Government had to be approached for reducing the upset price. Recently, the Planning Committee has evolved some formula for fixing the upset price, which has yet to be tried. Thirdly, the persons appointed by the sponsoring institutions are inexperienced and sometimes over-enthusiastic with the result that the accounts have not been maintained properly and in some societies even misapplication of funds has been noticed. Lastly, there is no proper organisation for the sale of timber or wood or charcoal with the result that the stocks lie in the Forest Depots or sometimes even in the coupes resulting in heavy losses.

108. As a result of these factors, out of the 21 Forest Labour Societies financed by the Bank, 16 societies have not been able to repay their loans and every year even new loans get into default. Last year some of the major societies in the Dangs district were unable to take up new coupes, but had to work on "felling" contract basis. During the year under review, fresh credits of Rs. 1.96 lakhs were sanctioned to 17 Forest Labour Co-operatives

while the outstanding loans at the close of the year amounted to Rs. 9 lakhs, of which Rs. 8.33 lakhs were in arrears with 16 societies, some of the overdues being more than two years old. In the light of this experience in providing finance to Forest Labour Co-operatives and the risks involved therein, the Board of Directors have fixed an overall limit of Rs. 10 lakhs for providing financial accommodation to this type of co-operatives; and applications from new societies or old societies which were not able to repay their previous borrowings by at least 50% had to be refused. Out of the outstandings of Rs. 9 lakhs, Rs. 7.88 lakhs are locked up with 13 societies which have incurred losses in their working and are not in a position to pay their liabilities. The Government have, therefore, been approached to pay the amount of guarantee of 40% aggregating to Rs. 3.37 lakhs.

109. The Planning Committee for Forest Labour Co-operatives has adopted a plan to extend this experiment to the entire forest areas in this State during the next 15 years, to take the place of individual forest contractors. This would require large financial resources as also trained and experienced man power. The Board of Directors, while appreciating the Government's desire to promote co-operative organisations of the workers to take the place of private individuals, have felt the need firstly to consolidate the working of the existing societies; secondly, to create an organisation for collection and sale of the forest materials worked by the Labour Co-operatives; and thirdly, to provide the necessary finances and adequate guarantees to the financing Banks, before undertaking any further expansion of this movement.

Leather Workers' Societies:

110. During the year under review, cash credit limits totalling Rs. 99,500 were sanctioned to 5 Leather Workers' Societies. The outstandings at the close of the year were Rs. 1,48,209 with 9 societies, inclusive of unauthorised arrears of Rs. 65,751 with 4 societies, out of last year's advances.

Oilmen's Societies:

111. During the year under review, cash credit limits totalling Rs. 5,000 were sanctioned to 2 such societies. Outstandings at the close of the year amounted to Rs. 14,144 with 3 societies, inclusive of overdues of Rs. 14,099 with 2 societies out of previous advances.

Fishermen's Societies:

112. During the year under review, cash credit limits totalling Rs. 4,41,000 were sanctioned to 9 Fishermen's Societies. At the close of the year, the outstandings amounted to Rs. 1,64,707 with 8 societies of which Rs. 15,903 were defaulted by 2 societies. As in the previous year, one society was granted accommodation for importing twine from Italy for which arrangements were made for a Letter of Credit through this Bank.

Other Industrial Societies:

113. During the year under review, in addition to the industrial societies mentioned in the foregoing paragraphs, financial accommodation totalling Rs. 2.49 lakhs was sanctioned to 29 societies of other industrial workers, while the outstandings amounted to Rs. 1.72 lakhs with 27 societies.

114. The total outstandings from 120 industrial societies of all types amounted to Rs. 35.98 lakhs at the end of the year. Out of the total limits of Rs. 62.20 lakhs sanctioned, limits for Rs. 32.19 lakhs were covered by a Government guarantee aggregating to Rs. 8.61 lakhs as against Rs. 28.15 lakhs and Rs. 7.98 lakhs respectively at the close of the previous year.

115. The general experience in the working of industrial group of societies is not encouraging, especially in respect of their management and business methods. Unless their financial structure and management efficiency is strengthened and closer supervision and co-ordination between the various units both in respect of supply of raw materials and sale of finished products is ensured by a sort of centralised administrative set up, at least in initial years, their working and progress will largely vacillate between the Government policy of controls and patronage or depend on Government support to a very large extent. Though the Board of Directors are keen on the development of small scale and cottage industries through "induscos," they feel keenly the need to strengthen their financial resources and management to secure efficiency and better business if the central financing banks have to provide them working funds with reasonable safety.

Housing Societies:

116. During the year under review temporary loans amounting to Rs. 3.50 lakhs were sanctioned to two co-operative housing societies in Bombay City, to enable them to complete the construction of buildings to be eligible to draw on the Government loan sanctioned to them. The outstandings with one society at the close of the year amounted to Rs. 2.54 lakhs, the other society having cleared the account before the close of the year.

Processing Societies:

117. Co-operative societies have generally helped agricultural production by providing credit. Processing of crops before marketing gives an added advantage to the producer both in obtaining better price and in saving him transport and other charges or a chain of other middlemen. So far, however, in Gujerat, Khandesh and Karnatak, a few co-operative Cotton Ginning and Pressing Factories have been organised by the primary producers. The sugarcane growers on the Pravara Canal in the Ahmednagar District, as mentioned in the last year's review, have successfully organised a Sugar Factory at Loni, which commenced its working in December 1950. The Factory showed satisfactory progress during the second year of its working under the able guidance of Prof. D. R. Gadgil as its Chairman.

During the working season, 64,705 tons of members' sugarcane was crushed as against 33,055 tons during the first year, producing 69,500 bags of sugar. The Factory earned a net profit of Rs. 4,11,945 for the year under review. To ensure supply of adequate quantity of well-nourished sugarcane according to its production programme, the Society under the supervision of its agricultural overseers provides finance necessary for the cultivation of sugarcane crop to get the maximum tonnage of crop per acre. As far as possible, good breed seedlings and manures are supplied to the members. In addition, with a view to make the fullest use of the drain-water and to encourage members to increase the area under sugarcane crop, within the Factory area at cheaper cost, the Society supplied to its members 23 pumping sets and oil engines, the cost whereof was repayable within a period of 5 years. This is a great service done by the Society to its members, as they were unable to get permits for canal irrigation. The working of this only Co-operative Sugar Factory in the State of Bombay has evinced great interest in the agriculturists from other important sugarcane areas of the State, like Kopergaon and Kolhapur, where the primary producers are contemplating to organise a similar Co-operative Factory.

118. As in the previous year, the Bank financed the Sugar Factory for providing cultivation finance and also for manufacture of sugar. A total credit of Rs. 13 lakhs was sanctioned, the outstandings at the close of the year amounting to Rs. 11 lakhs.

Co-operative Marketing:

119. While the agricultural credit movement has made great strides during the last decade, marketing of agricultural produce still remains in private hands in most of the districts. Though there are a few marketing co-operatives in some of the districts, they have more or less undertaken the distribution of controlled commodities rather than sale of agricultural produce. For the success of the integrated system of agricultural credit organisation, the need for an efficient marketing organisation cannot be over-emphasised.

120. During the year under review, the marketing societies operating in the jurisdiction of the Bank continued their activities of marketing of agricultural produce and supply of agricultural requisites, in addition to distribution of controlled commodities like foodgrains, sugar, cloth, iron, steel, cement etc. As of last year, some of the multi-purpose societies like the Kopergaon and Shirampur Big Bagaitdar Co-operative Multi-Purpose Societies undertook marketing of the members' agricultural produce and distribution of controlled commodities, in addition to providing agricultural credit.

121. The following table indicates the financial accommodation provided by the Bank to the Co-operative Marketing Organisations as also to the Credit and Consumers' societies, for marketing of agricultural produce as

also supply of agricultural requisites and for dealing in other controlled commodities, including foodgrains:

(Amount in lakhs of Rupees)

year	Purchase and sale Societies			Credit and M.P. Societies			Consumers' and other Societies		
	No.	Credit limits	Outstandings	No.	Credit limits	Outstandings	No.	Credit limits	Outstandings
1947-48	153	83.04	21.95	239	19.29	5.99	103	34.08	8.30
1948-49	113	46.31	19.25	213	16.79	6.59	112	26.84	6.92
1949-50	143	79.96	21.68	367	36.04	14.06	97	18.21	9.59
1950-51	114	60.00	35.35	304	44.68	28.15	70	20.39	5.62
1951-52	107	60.56	29.03	279	28.13	11.79	81	20.51	4.13

122. It would be observed that compared to the number of agricultural credit and multipurpose societies and the volume of their agricultural credit operations, the number of purchase and sale societies and the volume of their sales of agricultural produce cannot be considered as encouraging. The Board of Directors, while undertaking the responsibility to reorganise agricultural credit in this State on the lines envisaged by the Gadgil Committee, endorsed by the Agricultural Credit Organisation Committee presided over by Sir Manilal Nanavati, emphasised in their Policy Statement the linking of credit with marketing and the credit was conditioned on the sale of the produce through a marketing organisation. However, in almost all the areas, with a few exceptions marketing is still done through the private traders and there has been no insistence on sale through co-operative agency, for a variety of reasons. Even the existing marketing societies have largely diverted their attention to the distribution of controlled commodities rather than on sale of agricultural produce. It is observed that there has been a move to convert some of the district purchase and sale societies, after the decontrol of certain commodities like sugar, iron, cloth etc. which they were handling so far, into central financing agencies, rather than consolidate their activities and channel them to the marketing of agricultural produce. The Board of Directors feel very keenly the necessity of building up strong marketing organisations to ensure success of the credit organisation and would like the Registrar, Co-operative Societies, to discourage any such move and to take steps to reorganise them, if necessary, for undertaking the marketing of agricultural produce for which they were constituted.

123. In a number of societies, want of efficient management and proper control over the staff, have resulted in mismanagement and misappropriation of monies and goods, very often resulting in stagnation and heavy losses. Enquiries under Section 43 had to be instituted in the affairs of the Natepute Purchase and Sale Union and the Nandurbar Purchase and Sale Union, which were considered well managed and were doing good work in

the past, mainly due to large defalcations by the employees; they do not hold any prospects of improvement and proposals for their winding up have already been made to the Registrar.

124. Though the general position of the existing sale and purchase organisations is unsatisfactory, as remarked above, there are a few sale and purchase organisations worth mentioning; for example, the Godavari Pravara Canal Sale and Purchase Union and the Shetkari Sahakari Sangh Ltd., Kolhapur, which have, during the year under review, satisfactorily conducted the marketing operations of their members and other agriculturists, in addition to distribution of controlled and non-controlled agricultural requisites. The agricultural produce chiefly marketed by them was jaggery, ground-nuts and tobacco. The following figures indicate the volume of business done by them:

Agricultural produce sold			Supply of Requisites value Rs.
Kind of produce	Quantity <i>cart-loads</i>	Value Rs.	
Jaggery	11,456	24,94,251	77,19,994
Other commodities ...	6,824	15,63,284	

125. Considering the necessity of establishing efficient marketing organisations and in the light of the present unsatisfactory working of most of the existing marketing societies, it is very important that effective steps are taken to reconstitute the existing societies to evolve a satisfactory system for organising marketing of produce and to link up credit with marketing, as laid down by the Board in their Policy Statement.

X. ADVANCES TO INDIVIDUALS.

126. Under the provisions of Bye-law 72(i)(3), the Bank is authorised to advance loans to individual shareholders against (1) the security of Government or Trustee securities or agricultural produce and valuables pledged to the Bank or Fixed Deposits, and (2) to shareholders and members of 'B' class, who are either credit-worthy agriculturists or parties to the proceedings under the Bombay Agricultural Debtors' Relief Act under provisions of Section 2(7) of the said Act, for seasonal agricultural operations. Advances are generally made at Branch-headquarters to facilitate marketing of agricultural produce or to provide financial accommodation to agriculturists. The advances against valuables like gold and silver are made to the agriculturists generally to meet their agricultural needs.

127. The following table shows the various types of advances made by the Bank to individual members, and the extent of outstandings as at the end of the year under review, as compared with previous four years:

(Amount in lakhs of Rupees)

Particulars	1947-48		1948-49		1949-50		1950-51		1951-52	
	No.	Amount out-standing	No.	Amount out-standing	No.	Amount out-standing	No.	Amount out-standing	No.	Amount out-standing
1. Against pledge of:										
(a) Agricultural produce & requisites	306	96.05	121	53.22	126	60.35	175	70.48	140	45.97
(b) Government and Trustee securities	3	.10	4	1.40	8	3.99	8	4.21	11	5.55
(c) Fixed deposits ...	3	.02	3	.12	2	.11	2	.07	3	.04
(d) Gold & silver ...	313	1.90	348	1.82	367	2.04	652	3.64	991	5.11
2. Crop Loans (under B.A.D.R. Act) ...	116	.17	99	.15	73	.11	54	.10	50	.09
3. Agricultural loans ...	...	...	...	...	8	3.02	12	4.00	30	6.71
4. Other advances ...	...	...	...	...	1	.03	39	1.82	22	0.97
Total ...	741	98.24	575	56.71	585	69.65	942	84.32	1247	64.44

128. From the above table, it will be observed that the total outstandings with individuals, at the close of the year under review, are reduced by nearly Rs. 20 lakhs as compared with the outstandings at the close of the previous year, while the total outstandings have declined by nearly Rs. 34 lakhs, from Rs. 98.24 lakhs at the close of the year 1947-48 to Rs. 64.44 lakhs at the close of the year under review. Advances to individuals form nearly 10 percent of the total loans of all types, and 5% of the working capital as against 41% and 11% respectively at the close of the year 1947-48.

Advance against agricultural produce:

129. With the increase in the demands for financial accommodation from co-operative societies, the advances to individuals, especially of a commercial type, are gradually reduced though such loans yield a better return on the Bank's investments, at lower cost. The number of accounts as well as the volume of advances have gone down by over 50% since 1947-48 and by nearly Rs. 25 lakhs during the year under review. Owing to the sudden and sharp drop in the prices of agricultural commodities, especially ground-nut and cotton, during February-March, some of the borrowers were unable to maintain the required margins. However, the advances were subsequently recovered except in case of 26 borrowers with whom loans outstanding amounted to Rs. 10.14 lakhs. It is expected that this amount will be recovered during the current year. Of the total outstandings of Rs. 45.97 lakhs at the close of the year, Rs. 1.54 lakhs were defaulted.

Advances against valuables:

130. The demand for advances against gold and silver continued to be on the increase, during the year under review, owing to the poor agricultural season and the sudden fall in prices of agricultural commodities, which cur-

tailed cash resources of the agriculturists. Owing to the curtailment of credit facilities by local moneylenders or shroffs, the members of societies took increasing advantage of the facility provided by the Bank at some of its Branches to meet their seasonal needs. The loans outstanding increased from Rs. 3.64 lakhs with 652 members at the close of the previous year, to Rs. 5.11 lakhs with 991 members at the close of the year under review. Although there was keen demand at other centres for advances of this type, it was not possible to extend this business at other branches for want of safe custody arrangements with Government Sub-Treasuries. Most of the members taking advantage of this type of loan were 'B' class members of the Bank, who are eligible for loans against this type of security upto a maximum of Rs. 1,000.

Agricultural loans:

131. Agricultural loans to individuals were introduced since 1947 to enable the Bank to advance crop loans to shareholders and 'B' class members, who are parties to proceedings under the Bombay Agricultural Debtors' Relief Act, at such places where no local co-operative organisations exist. Similarly, the provisions of this bye-law were further amended when the Bank undertook the responsibility to finance credit-worthy agriculturists, to enable the Bank to advance seasonal finance to credit-worthy agriculturists.

132. During the year under review, the number of 'B' class members who were parties to proceedings under the Bombay Agricultural Debtors' Relief Act was reduced from 54 to 50 and the amount of crop loans outstanding with them from Rs. 10,000 to Rs. 9,000. The reduction is due to absorbing some of the previous borrowers in the local primary societies. This type of advance is generally not encouraged as it is costly to the borrowers and it is more difficult for the Bank to keep contacts with the small borrowers in scattered groups.

133. Agricultural loans directly to credit-worthy agriculturists are generally made to those who own larger acreage of crops, especially irrigated crops, than the average holdings of ordinary members of primary societies. During the year, loans amounting to Rs. 4.91 lakhs were sanctioned to 22 individual members. At the end of the year under review, loans outstanding with 30 individual members amounted to Rs. 6.70 lakhs. It is one of the conditions of such loans that the members should sell their agricultural produce through a co-operative marketing agency and credit the sale proceeds of their crops to the Bank. 18 members defaulted their loans at the end of the year to the extent of Rs. 3,52,740. After the close of the year, however, 6 members cleared their arrears of Rs. 66,128 in full and 5 members repaid their dues partly to the extent of Rs. 5,785, while the arrears with 12 members amount to Rs. 2,80,827. After the close of the year legal steps under Section 59(B) have been taken against 8 defaulting members, for recovery of the dues of Rs. 1,05,955.

134. As observed last year while taking over the assets and liabilities of the Savantwadi State Bank, outstandings with individual borrowers of that Bank, were taken over. Out of an amount of Rs. 1.80 lakhs with 38 borrowers at the close of the previous year, Rs. 86,200 were outstanding with 16 borrowers, exclusive of a sum of Rs. 52,665 which was due from the Savantwadi Education Society. Legal steps are taken, wherever necessary, to recover the loans taken over from that Bank.

135. During the year under review, as mentioned in paragraph 34, the business of the Branch of the Bank of Aundh at Atpadi was taken over by the Bank with a view to financing co-operative societies in Atpadi Mahal. An amount of Rs. 5,030 with 2 individuals against mortgage of lands was transferred to this Bank and necessary steps to recover this amount have already been taken.

Bank's total loan operations:

136. Total advances to all types of societies and to individual members, including bills discounted and loans against provident fund to employees of the Bank, amounted to Rs. 667.27 lakhs at the close of the year under review.

The following table indicates the details of the various types of advances outstanding at the close of the year as compared with those of the previous four years:

(Amount in lakhs of Rupees)

Particulars	1947-48	1948-49	1949-50	1950-51	1951-52
To Societies:					
1. Long-term loans	0.49	0.42	0.41	0.40	0.22
2. Short-term loans	52.09	73.58	102.92	151.46	211.14
3. Intermediate term loans ... ..	...	...	...	0.13	0.38
4. Cash credits	20.47	30.50	50.84	68.67	61.50
5. Overdrafts (against Government and trustee securities)	24.47	72.17	42.34	87.72	80.65
6. Fixed loans	35.06	35.77	47.84	79.88	67.80
7. Cloth and yarn advances ... ..	...	214.88	13.19	9.62	11.05
8. Dues from societies in liquidation	5.24	4.83	4.41	4.25	3.72
9. Loans from Reserve Bank to Central Financing Agencies ... ..	...	5.00	21.00	36.00	148.34
Total ...	137.82	436.95	282.95	438.13	584.80
To Individuals:					
10. Advances and loans	98.24	56.71	69.65	84.32	64.44
11. Bills discounted	17.27	23.88	12.88	27.24	17.10
12. Loans agst. Staff Provident Fund	0.58	0.70	0.83	0.92	0.93
	253.91	518.24	366.31	550.61	667.27

137. The total advances of all types increased from Rs. 550.61 lakhs at the close of the previous year, to Rs. 667.27 lakhs at the close of the year under review. The short term advances to co-operative societies recorded an increase of 40% over the last year's outstandings. Advances from the Reserve Bank of India to the central financing agencies through the Apex Bank increased fourfold. Advances to individuals and to co-operatives other than agricultural societies were considerably lower than last year's outstandings.

138. The following table indicates the ratio of the total advances to deposit and loan liabilities and to working capital of the Bank:

(Amount in lakhs of Rupees)

Particulars	1947-48	1948-49	1949-50	1950-51	1951-52
1. Working capital ...	897.37	1063.11	1043.94	1130.26	1217.61
2. Deposit and Loan liabilities ...	796.24	958.60	912.48	949.49	1038.87
3. Total advances	253.91	518.24	366.31	550.61	667.27
4. Percentage of advances to working capital ...	28.13	48.74	35.08	48.72	54.80
5. Percentage of advances to deposit and loan liabilities ...	31.88	54.06	40.14	57.80	64.23

Unauthorised Arrears:

139. Out of the total loans of Rs. 556.62 lakhs (excluding overdraft and fixed loans against Government securities or fixed deposits and bills discounted) due from societies and individuals at the close of the year under various accounts, unauthorised arrears amounted to Rs. 72.89 lakhs which work out at 13% of the total outstandings. The following table shows the authorised and unauthorised arrears and the estimated doubtful debts and overdue interest at the close of the last five years:

(Amount in lakhs of Rupees)

Particulars	1947-48	1948-49	1949-50	1950-51	1951-52
1. Unauthorised arrears ...	9.50	14.35	21.48	32.09	72.89
2. Authorised arrears ...	0.09	1.66	0.68	0.43	13.38
3. Estimated doubtful debts ...	2.94	2.87	4.55	4.57	6.31
4. Overdue interest ...	1.06	1.09	0.95	0.87	1.72

140. From the above table it will be seen that the unauthorised arrears have increased from Rs. 32.09 lakhs to Rs. 72.89 lakhs during the year under review. The sharp increase in arrears, as explained in paragraph 79, is mainly due to sudden fall in the prices of agricultural commodities, which contracted the repaying capacity of the borrowers, and consequently had adverse effect on repayments. Secondly, scarcity conditions prevailed in

North Gujrath, Panchmahals and parts of West Khandesh and Nasik, and the societies were unable to repay the loans, and extensions were granted to deserving societies after the close of the year, after ascertaining the extent of the effect of scarcity conditions in those districts. The increase in arrears is also due to default by individuals and defaults by some of the forest labourers' societies which were unable to dispose of the stocks of timber, firewood etc. in time, mainly for want of Railway transport.

Authorised Arrears:

141. As observed above, extensions were allowed to societies where scarcity conditions justified postponement of repayments till the next agricultural season. The amount of authorised arrears at the close of the year was Rs. 13.38 lakhs as against Rs. 0.43 lakhs as at the close of the previous year.

Bad and Doubtful Debts:

142. The amount of estimated bad and doubtful debts shows an increase of Rs. 1.74 lakhs over the last year's amount. This is due to increase in the estimated losses sustained by some of the forest labourers' societies, as indicated previously and short margins in advances to individuals against whom legal proceedings are in progress. Two of the purchase and sale unions where large misappropriations were reported during the year, account for an increase in the probable bad debts. While steps have been taken to get some of the advances properly secured, total amount of probable bad debts has been fully provided for. The total provision for bad and doubtful debts and overdue interest as per Balance Sheet amounts to Rs. 8.37 lakhs, as against Rs. 8.78 lakhs at the end of the previous year, while the actual estimated bad and doubtful debts and overdue interest amount to Rs. 8.03 lakhs.

XI. PROFIT AND LOSS ACCOUNT.

143. The following table indicates the management expenses and the net profits of the Bank during the past five years:

Particulars	(Amount in lakhs of Rupees)				
	1947-48	1948-49	1949-50	1950-51	1951-52
1. Salaries	6.12	7.21	8.52	9.50	9.94
2. Inspection charges	1.49	1.61	1.84	2.21	3.15
3. Contingent expenses	3.02	3.53	3.89	4.39	4.43
4. Directors' and Auditors' Fees	0.25	0.28	0.32	0.27	0.30
5. Contribution to Staff Provident Fund	0.37	0.42	0.47	0.52	0.57
6. Net Profit	3.89	4.28	4.55	5.48	7.69
Total Gross Income	15.14	17.33	19.59	22.37	26.08

144. Due to the grant of annual increments in salaries to the permanent staff and recruitment of additional staff, the establishment expenses have slightly increased. The expenses under inspection have increased by Rs. 0.94 lakhs, owing to appointment of additional Inspectors and their more frequent visits for inspection, supervision and for stimulating recoveries.

145. The expenditure under the items of salaries and inspection charges have increased by Rs. 1.38 lakhs during the year under review as against Rs. 1.35 lakhs during the previous year and marks an increase of 72% from Rs. 7.61 lakhs in 1947-48 to Rs. 13.09 lakhs in 1951-52. This increase is partly due to the increase in the strength of the staff during the past 5 years, and partly due to increase in pay scales necessitated by the increase in the cost of living. The average ratio of expenses to the gross income of the Bank for the year under review works out at 70% as against 75.5% in the previous year. This average ratio of expenses to gross profit is slightly higher than in the commercial banks of our size on account of higher cost of inspection and supervision. Unlike the commercial banks, the Bank has to make small size advances to co-operative societies in rural areas. The Bank has also to maintain unremunerative branches in areas where it functions as a central financing agency, to offer banking facilities to members and affiliated societies.

XII. ADMINISTRATION.

146. During the year under review, the Manager Shri Y. B. Gaitonde was deputed by the Chairman to attend the Commonwealth Co-operative Conference on Agriculture, held at Oxford, in August 1951, to read his paper on "State and Co-operation", and later he was nominated by the Indian Co-operative Union to attend the International Co-operative Congress held at Copenhagen, in September 1951. During his visit to Europe, Shri Gaitonde took an opportunity to visit co-operative organisations, especially Agricultural Co-operatives and their Central Organisations in France, Italy, Holland and Denmark, with a view to study the agricultural credit systems in those countries.

147. The total strength of the staff of the Bank excluding peons was 470 as against 440 of the previous year, out of whom 74 were University Graduates as against 68 of the last year and 22 held Diploma in Accountancy and Banking or Certificate of Institute of Bankers' Examination. The Bank deputed, during the year under review, three of its employees to the Co-operative Training College at Poona, who completed the course of studies for Diploma in Co-operation, one of them securing First Class and the other two securing Second Class in their examination.

Inspections:

148. For the purpose of inspection and supervision over affiliated societies in the districts served by this Bank, the area under the Bank was, as in

the previous year, divided into ten divisions, each under the charge of a Senior Inspector, assisted by 49 (as against 30 last year) full-time inspectors and 18 Agent-cum-Inspectors (as against 31 last year). On account of the increase in the number of societies under some of the branches, the Agent-cum-Inspectors were relieved of their branch work and worked as full-time Inspectors. With the increase in the number of societies and the volume of business in the Ahmednagar District it was divided into two zones each under a separate Senior Inspector. The average touring by the Senior Inspectors and Inspectors was 16.7 days in a month as against 15 days last year.

149. There were 2468 agricultural credit and multipurpose societies affiliated to and borrowing from the Bank at the end of the year under review as against 1985 at the end of the previous year. Detailed inspection of societies classed A or B in their last audit is undertaken by the Bank's staff as in the past, every alternate year. The rest of the societies are inspected once in a year. Major societies like purchase and sale unions and industrial associations are inspected by the Senior Inspectors every year. The number of societies not inspected during the year under review was 798 as against 850 in the previous year.

150. Inspectors of the Bank have taken active interest in the organisation of credit and other types of co-operatives and have usually assisted the official and non-official workers in propaganda for Savings Drive or Village Improvement programme, "Grow More Food" campaigns, and other educational activities. They are called upon to deliver lectures at Training Classes for Secretaries and to assist in organising Co-operative Conferences. The Senior Inspectors generally represent the Bank on the District Rural Development Boards and the District Federations of Co-operative Societies while the Inspectors are nominated on the Managing Committees of local societies or supervising unions, wherever their bye-laws require a nominee of the Bank on their management.

Visits by the Officers of the Bank:

151. Most of the Branches were visited by the Manager during the year under review. During his visits to Branches not only the working of the Branches and their progress is enquired into but contacts with the leaders of the co-operative movement and the Officers of the Co-operative Department are built up and major co-operative institutions are visited in order to keep in touch with the development of the co-operative movement and to study the local problems or working of individual societies served by the Branch. Very often the Branch Committee Meetings and Branch General Meetings or General Meetings of major societies and meetings of field workers and representatives of societies are attended to keep in contact with the various institutions and to explain the policy decisions of the Board and to discuss local problems. The Officer-in-Charge, Agricultural Credit Department, and the Superintendent of Branches also visit the Branches periodically.

152. The work of internal audit of accounts of branches was entrusted to three qualified Senior Officers appointed as Branch Auditors. The accounts of branches in Satara, Gujerat and Konkan Divisions were periodically audited by the Divisional Senior Inspectors.

Study visits of the Trainees:

153. Some of the Probationary Assistants and other Officers of the Agricultural Credit Department of the Reserve Bank of India were deputed to this Bank for short training at the head office. Arrangements were also made for their visits to Branches and to central financing agencies in different regions for practical study in agricultural finance and co-operative banking. Students from the Co-operative Training College, Poona, and the Regional Co-operative Schools were given facilities for practical training at our Branches, after the completion of the College terms.

XIII. WORKING OF PRIMARY SOCIETIES.

Suspension of Managing Committees:

154. During the year under review, managing committees of five societies were suspended. The number of societies whose managing committees were suspended was 10 at the commencement of the year. No committees under suspension were restored during the course of the year. Thus, at the close of the year, managing committees of fifteen societies remained under suspension. The Bank Inspectors were associated with the Administrators appointed during the period of suspension. Efforts were made by the Administrators to improve the general working of the societies, with considerable success.

Enquiries under Section 43 of the Bombay Co-operative Societies Act:

155. During the year under review, Enquiries under Section 43 of the Bombay Co-operative Societies Act were ordered into the affairs of 39 affiliated societies. At the beginning of the year, statutory Enquiries in 21 societies were in progress. During the year, Enquiries of 27 societies were completed. Enquiries were in progress in 33 societies at the end of the year under review. The amount of loans outstanding with the societies in the working of which Enquiry under Section 43 is instituted, is approximately Rs. 8.33 lakhs. Out of the 60 societies in which Enquiries were ordered, 14 societies were involved in misappropriation of funds, while 46 societies were mismanaged by the office-bearers. Working of 7 societies has improved as a result of Enquiry. It was, however, observed that the execution of the Enquiry Orders is very often delayed and the effect of instituting an Enquiry is lost. As the Enquiries are ordered under the provisions of the Co-operative Societies Act, they should have legal force behind them and should, therefore, be executed with promptness, if they are expected to have the desired effect on the working of an institution. Otherwise, the Enquiries have the effect of a '*post-mortem*', very often leading to winding up. If they have to serve their purpose and be effective in improving the affairs of the institutions concerned or correcting the irregularities in the management

in time, such Enquiries should be conducted as a judicial enquiry and as expeditiously as possible.

Arbitration Awards and Liquidation Orders:

156. The following table will indicate approximately the number of awards and liquidation orders under execution through Revenue authorities and Civil Courts, and those pending with the Arbitrators, Liquidators and with societies, against the defaulters of societies borrowing from the Bank:

(Amount in lakhs of Rupees)

Particulars	1947-48		1948-49		1949-50		1950-51		1951-52	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
At the beginning of the year	4069	6.43	3531	5.92	3140	5.47	2766	5.79	2726	5.65
Additions during the year ...	64	0.16	75	0.31	191	0.71	206	0.55	622	1.42
Recovered during the year ...	602	0.67	466	0.76	565	3.39	246	0.69	170	0.49
Balance at the close of the year	3531	5.92	3140	5.47	2766	5.79	2726	5.65	3178	6.57

The arbitration awards and liquidation orders have been reduced from 4069 to 3178 during the past five years. It may be pointed out that the repayments from the defaulters against whom awards or liquidation orders are under execution, are very meagre and coercive measures are not as effective as they should be. A fair portion of the repayments secured was by voluntary efforts rather than by coercive measures and the percentage of repayments to the recoverable amount was very much lower as compared to normal recoveries, in spite of the appointment of the special recovery staff.

Special Recovery Officers:

157. For the areas served by the Bank there were five Special Recovery Officers appointed by the Revenue Department on the recommendation of the Registrar, Co-operative Societies, the deficit in their establishment being borne by the Bank. These posts were created during the recovery season only and were not maintained throughout the year. Even so, the cost of their establishment that the Bank is required to bear is disproportionate to the recoveries secured by execution of arbitration awards and liquidation orders. This fact was, therefore, brought to the notice of the Government last year, and the Government was requested to appoint the special recovery officers at Government cost. Government, however, while not accepting this request, conceded that "Government would be prepared to consider on merits individual cases where exemption from the contribution towards the cost of Special Recovery Officers is deemed to be necessary."

Distraint Warrants:

158. Some of the Inspectors of the Bank and the Supervisors, in Gujarat, Khandesh and Nasik Divisions, were vested with powers under the Land

Revenue Code, to execute distraint warrants issued by the Special Recovery Officers. Wherever possible, warrants were obtained by the Inspectors during the year and repayments of Rs. 86,607 were secured without resort to actual execution of the warrants, while recovery by actual coercive measures amounted to Rs. 18,609.

Lands in possession:

159. In the course of coercive proceedings, defaulters' lands are transferred to the societies under section 59 (B), if they cannot be sold in auction, in the process of execution of awards or liquidation orders. 1799 acres of land valued at Rs. 92,603 were held by societies indebted to the Bank at the commencement of the year. During the course of the year, only 2 acres of land valued at Rs. 525 were sold to outsiders while 393 acres valued at Rs. 5,744 were reconveyed to the original owners after granting liberal remission in the amount due from them. Lands in possession of societies at the close of the year were 1758 acres valued at Rs. 86,465. Some of the defaulters have made partial repayments or paid part instalments for getting the lands reconveyed to them and the lands are leased to them until the total amount is paid by them. During the last three years 1056 acres of land valued at Rs. 40,831 have been sold or reconveyed to defaulters. The following table indicates the acreage and value of lands in possession of societies at the close of the year under review, as compared with previous two years:

Particulars	1949-1950		1950-1951		1951-1952	
	Acres.	Value	Acres.	Value	Acres.	Value
		Rs.		Rs.		Rs.
1. Lands in possession at the beginning of the year ...	2,594	1,28,591	2,428	1,28,356	1,799	92,603
2. Lands sold to outsiders ...	274	10,561	11	1,470	2	525
3. Lands reconveyed to original owners ...	...	...	376	22,531	393	5,744
4. Lands in possession of societies at the close of the year ...	2,428	1,28,356	1,799	92,603	1,758	86,465

XIV. SUPERVISION.

160. There are 59 Supervising Unions working in the area served by the Bank as against 56 of the last year. The Supervisors are now appointed and controlled by the Registrar, Co-operative Societies and their cost is borne by Government. The transfer of supervision staff to Government and their control by the Co-operative Department was expected to result in greater efficiency in supervision and control over the primaries and to obviate the need for separate inspectorial staff appointed by the central financing agencies, to save their cost of inspection and thereby reduce their rates of interest charged to societies. However, the experience of this arrangement during the last three years does not, for several reasons, seem to justify this

expectation. The experience not only in the areas served by the Bank but also in the areas served by other central financing agencies, indicates that there is a feeling that the supervision and control, instead of being more effective and efficient, has deteriorated on account of the appointment of inexperienced, if not inefficient staff, without any considerations of the nature and size of the institutions or the volume and variety of their transactions or the requirements of any particular tract. A feeling is gaining ground since this staff was transferred under the departmental control that they are not responsible or responsive to the societies or the financing agencies and their inspections of the societies are more irregular and often ineffective. Though the volume of agricultural finance has increased, the supervision staff is neither trained in this line of activity nor is responsible to the financing agencies for their recommendations. Instances of misappropriations and misuse of cash balances or of stocks held by societies by the office-bearers of societies have increased. With the increasing financial responsibilities undertaken by the primary societies and the increasing volume of loans advanced by the central financing agencies, there is need for greater co-ordination and integration of the supervision staff with the central financing agencies than at present, so that the duplication of inspection and supervision by the central financing agencies and the supervision staff and the waste of human energy could be avoided. Better efficiency in and control over the supervision arrangement can be ensured, with minimum of expenditure and maximum efficiency and more effective control over the primaries, by avoiding divided responsibilities and dual control as also duplication of work by the different agencies, as at present. It is high time that this vexed question is re-examined *de novo* in the light of the changed situation created by the assumption of responsibility by the central financing agencies for evolving an integrated system of institutional credit and in view of the responsibilities which are expected to be shouldered by the co-operative movement and more particularly by the central financing agencies, in the working of the Five Year Plan in which Co-operation is assigned a very prominent place in the execution of the Plan.

Conclusion:

161. Both in the discharge of the responsibilities which the Bank has undertaken in the matter of provision of agricultural and marketing credit and in the financing of various types of co-operatives, the Directors of the Board took keen interest which enabled me to steer the day to day working of the Bank. The Board is particularly thankful to Prof. D. R. Gadgil, Director of Gokhale Institute of Politics and Economics, who is nominated on the Board as a representative of the State Government as a Financial Expert, for his guidance and suggestions in evolving an institutional credit system for provision of agricultural credit.

162. The Board of Directors and I offer our grateful thanks to Shri Vaikunth L. Mehta for his keen interest in the progressive development of the co-operative movement and more particularly for his valuable assistance

and guidance to the Bank on all matters of importance. The Board of Directors as also Officers of the Bank whenever they had occasion to approach him for consultations, received very valuable guidance in matters of administration of the Bank. The financial assistance given to the co-operative movement by the State, more particularly for the development of industrial co-operatives and for the promotion of co-operative education and training, was largely the result to his keen interest in and long association with the movement and his desire to implement the recommendations of the All India Co-operative Planning Committee to secure a planned development of co-operative organisations in all walks of economic activity.

163. Our thanks are due to Shri Malojirao Naik Nimbalkar and Shri M. P. Patil and Dr. Jivraj Mehta, Ministers of the Bombay State for their active interest in and support to the State Co-operative Bank. I have pleasure to convey my thanks to Shri D. S. Joshi and to Shri K. L. Panjabi, Secretary to Government, Development Department, and to Shri V. T. Dehejia, Secretary, Finance Department, for their assistance both in financial and administrative matters.

164. I have the pleasure in acknowledging the assistance from the authorities of the Reserve Bank of India for the financial accommodation which enabled the central financing agencies and the State Co-operative Bank to successfully discharge the responsibilities undertaken by them in providing institutional credit. I gratefully acknowledge the assistance and guidance from Shri B. Venkatappiah, Executive Director of the Reserve Bank, and the late Shri K. Sarvothama Rao, Chief Officer, Agricultural Credit Department. In the untimely and sudden death of Shri K. Sarvothama Rao, not only the Reserve Bank but the Co-operative Movement has lost a very ardent and active officer. The active interest in providing financial assistance and in liberalising the procedure for obtaining it and the financial assistance for co-operative education and training from the Reserve Bank, was largely due to his keen interest in co-operative institutions and the movement. Shri K. Subrahmanyam, who succeeded late Shri K. Sarvothama Rao, has been equally helpful to the co-operative movement and more particularly to this Bank.

165. The members of the Branch Committees have been particularly helpful in promoting the activities of the Bank in the districts and supervising the working of affiliated societies and of the Branches. I extend my thanks on behalf of the Board of Directors to the members of the Branch Committees for their valuable co-operation and advice.

166. The Board of Directors and myself and other Officers of the Bank, in the discharge of their duties, had occasions to approach the Officers of the Co-operative Department on various matters of policy and administration and I am glad to acknowledge their guidance and assistance in the discharge of the Bank's responsibilities in financing the institutions and in understanding our difficulties and our problems. I am particularly thankful to Shri P. J. Chinnulgund, Registrar, Co-operative Societies, for the assis-

tance and advice we uniformly received from him, which enabled the Bank in promoting its activities and its progress.

167. I must acknowledge my grateful thanks to Shri R. G. Saraiya, Chairman of the Bank, for his active interest in the day to day administration of the Bank and for his very valuable guidance both to the Board of Directors and Officers of the Bank. With the increased responsibilities of the Bank and its varied activities, the Bank is required to seek his advice and directions and draw upon his time and his experience. He has been kind enough to devote, in spite of his other pre-occupations, considerable amount of time to the Bank's activities in various fields and its administration. The present financial strength of the Bank and the assistance it has been able to obtain from the Government and the Reserve Bank of India, and the important place which the Bank occupies both in the banking system and in co-operative movement and the service it is able to render as an apex financing Bank, is largely due to his able steering of the Bank's affairs.

168. The members of the staff continued to discharge their duties with devotion, hard labour and diligence, and deserve our compliments, for their strenuous work and unstinted loyalty to the institution. I continued to get valuable assistance in the day to day administration from all the officers of the Bank. Shri V. M. Thakore and Shri Y. B. Gaitonde have primarily borne the strain of the increasing activities of the Bank consequent on the expansion of the movement and extension of the area of the Bank's operation to the whole of the Bombay State.

169. Despite the deficiencies pointed out in the course of this review and the difficulties experienced in the working of the Bank, to which references are made in the foregoing review, the co-operative movement and institutions have made considerable strides both in their number and the sphere of their activities. Considerable enthusiasm is generated among the common people who come forward voluntarily to organise co-operative societies even in areas which were considered backward. Some of the institutions have undertaken extra activities like maintaining costly tractors or agricultural implements to bring more land under cultivation or to improve agriculture. Irrigation societies have been started wherever it was not possible for the individuals to make use of the flow water while large irrigation works like construction of bunds across the small rivulets are also undertaken by forming co-operative societies. The standard of agricultural production has been improved with the availability of credit facilities and it has been noticed that members of societies have been enabled to increase the size of their holdings or to improve the method of cultivation to obtain greater output. All this requires to be consolidated and properly harnessed with a view to securing enduring results. Instances where ambitious or over-enthusiastic or inexperienced persons have assumed control of a society and which have led to mismanagement and wasting of the effort or where unscrupulous men have misused the society's resources for their own

ends are not wanting. It is necessary to check such lapses which bring discredit to the movement and to the capacity of the common man to manage his own affairs. Therefore, when a reference is made in this review to the deficiencies and to some of the problems which retard the progress of the movement, it is not to discourage any further progress, but to bring in bold relief the necessity to put in greater effort and to increase our own efficiency in handling the affairs of co-operative institutions.

170. I feel confident that with courage, determination and faith in ourselves and with the active co-operation and good-will of all the workers and institutions we serve, the Bank will be enabled to play its noble role in the achievement of our common objective, the progressive development of the co-operative movement and of co-operative institutions in the service of the people of this State.

Bombay,
7th January, 1953.

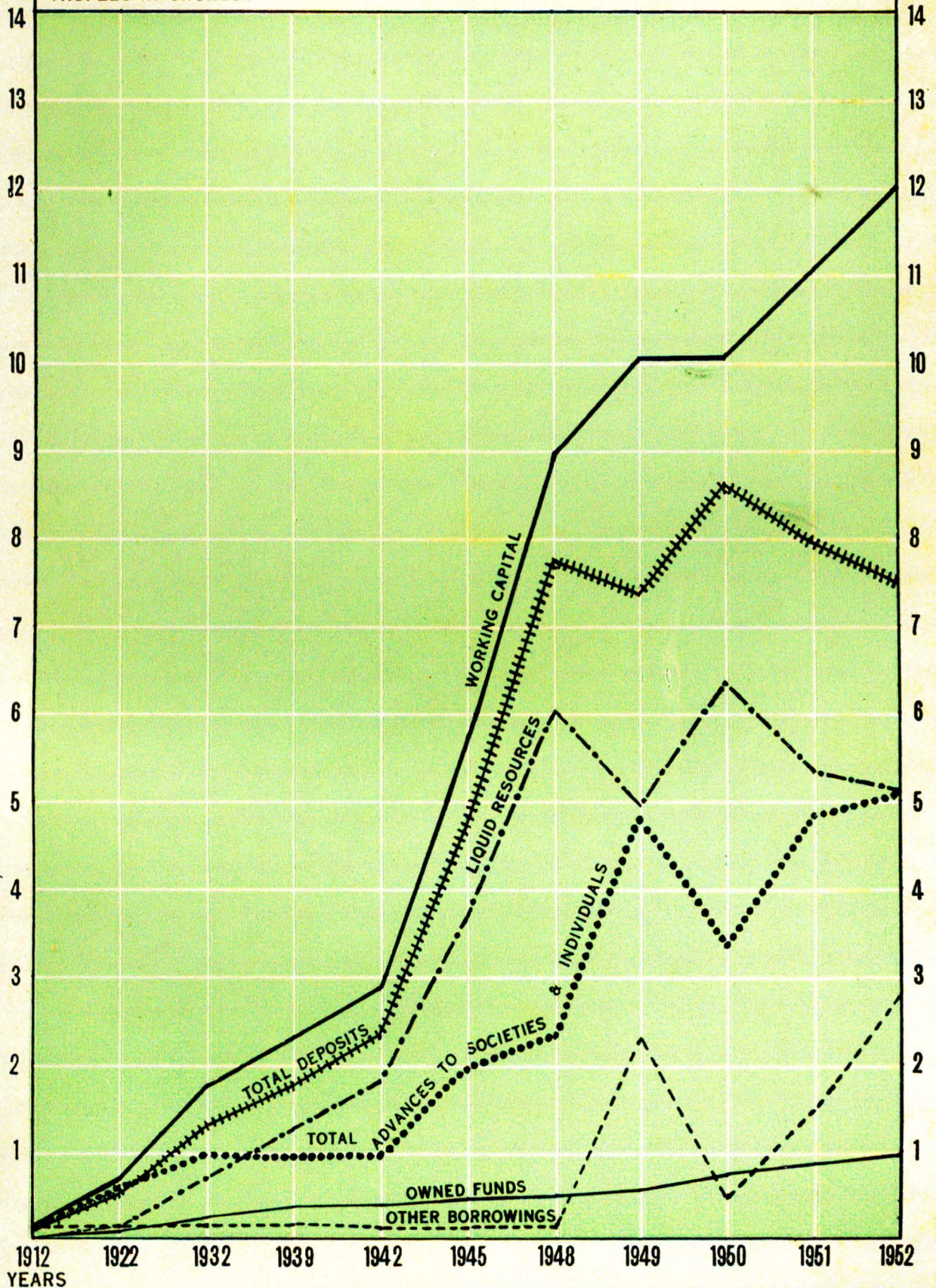
V. P. VARDE
Hon. Managing Director.

THE BOMBAY STATE CO-OPERATIVE BANK LTD.

CHART SHOWING THE PROGRESS OF THE BANK DURING

1912 - 52

(RUPEES IN CRORES)



THE BOMBAY STATE CO-OPERATIVE BANK, LTD., BOMBAY.

A COMPARATIVE STATEMENT SHOWING THE PROGRESS OF THE BANK DURING 1912-1952.

(Amount in lakhs of Rupees)

Year	Paid up Share Capital	Reserve Fund	Other Funds	Deposits	Reserve Bank Loans		Other Borrowings	Advances to Societies		Advances to Individuals		Total Advances	Investment in Govt. & Trustee Securities	Cash on hand and with Banks	Working Capital
					Self	C. F. As		Agri. Loans	Other Advances incldg. Liq. Stys	Agri. Loans	Against Tangible Securities				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1912	2.10	...	...	3.37	...	...	...	5.22				5.22	...	.86	6.22
1917	6.98	.17	0.59	9.02	...	...	6.68	21.84				21.84		.99	24.21
1922	7.00	.20	2.04	46.40	...	...	9.10	48.31	2.87	...	...	51.18	4.01	9.27	66.59
1927	10.00	.31	4.34	110.59	...	...	13.22	81.42	6.56	(Including		87.98	41.13	8.13	144.77
1932	12.97	.99	5.91	129.58	...	...	14.36	85.22	13.90	Individuals)		99.12	31.84	29.78	172.51
1937	12.98	1.12	15.32	189.57	...	...	13.44	64.59	24.00	...	2.76	91.35	57.62	80.41	244.13
1939	13.00	1.13	17.84	179.27	...	...	13.23	55.52	34.74	...	8.39	98.65	68.15	53.31	234.67
1942	13.00	2.47	17.16	235.12	...	...	6.64	43.77	31.52	...	20.92	96.21	96.35	83.95	288.98
1945	19.95	4.89	17.20	483.57	...	...	6.52	31.52	60.84	...	103.23	195.59	214.32	154.71	568.15
1948	20.39	7.13	20.08	782.22	...	...	6.50	52.58	85.25	.17	98.07	236.07	497.83	110.55	897.37
1949	20.62	8.16	21.22	738.58	...	5.00	206.50	73.80	358.16	.15	56.55	488.66	386.22	110.91	1063.12
1950	48.26	11.58	21.83	860.24	10.00	21.00	11.50	103.35	158.60	3.13	66.52	331.60	506.65	132.28	1043.94
1951	48.70	12.69	24.47	797.96	97.00	36.00	7.50	151.99	250.15	4.10	80.22	486.46	452.25	83.75	1130.27
1952	59.18	14.01	25.26	745.81	120.00	148.34	12.50	211.74	224.72	6.79	57.65	500.90	424.70	79.31	1217.61

**THE BOMBAY STATE CO-OPERATIVE
APPENDIX
Resources of Central Financing**

Sr. No.	Names of Central Financing Agencies	No. of offices includ- ing Head Office	No. of affilia- ted Socie- ties	Paid up Share Capital	RESERVES	
					Reserve Fund	Other Funds
1.	Bombay State Co-operative Bank, Ltd.	63	5,253	59.18	14.01	25.26
	GUJRAT DIVISION :					
1.	Ahmedabad Central Co-op. Bank, Ltd. ...	3	391	3.66	1.15	1.28
2.	Amreli District Central Co-op. Bank, Ltd. ...	1	101	1.06	.54	.66
3.	Baroda Central Co-op. Bank, Ltd. ...	5	431	3.44	1.27	.41
4.	Broach Co-op. Bank, Ltd. ...	8	348	8.61	2.51	2.40
5.	Chikhli Taluka Co-op. Banking Union, Ltd. ...	1	39	.56	.16	.30
6.	Dhari Taluka Co-op. Banking Union, Ltd. ...	1	35	.53	.06	.05
7.	Kaira District Central Co-op. Bank, Ltd. ...	11	345	6.78	.09	.14
8.	Kalol & Halol Taluka Co-op. Banking Union, Ltd. ...	1	94	.48	.19	.32
9.	Kodinar Taluka Co-op. Banking Union, Ltd. ...	1	60	.90	.43	.55
10.	Mehsana District Central Co-op. Bank, Ltd. ...	3	328	.61	3.92	2.68
11.	Poorva Panchmahals Co-op. Banking Union, Ltd. ...	4	205	1.45	.13	.19
12.	Surat District Co-op. Bank, Ltd. ...	16	586	8.31	4.25	8.56
	TOTAL :	55	2,963	36.39	14.70	17.54
	MAHARASHTRA DIVISION :					
1.	Barsi Central Co-op. Bank, Ltd. ...	2	95	1.13	.85	.36
2.	East Khandesh Central Co-op. Bank, Ltd. ...	23	1,067	13.36	11.25	6.19
3.	Kolhapur District Central Co-op. Bank, Ltd. ...	5	341	2.60	.28	.25
4.	Poona Central Co-op. Bank, Ltd. ...	18	689	4.63	3.31	2.32
5.	Sholanur District Central Co-op. Bank, Ltd. ...	9	576	6.34	2.35	1.67
6.	Shri Laxmi Central Co-op. Bank, Ltd. ...	1	84	1.11	.85	1.34
7.	North Satara Dist. Central Co-op. Bank, Ltd. ...	2	332	2.26	.27	.01
8.	South Satara Dist. Central Co-op. Bank, Ltd. ...	4	245	2.86	.85	.74
9.	Wada Co-op. Banking Union, Ltd. ...	2	76	.58	.13	.08
	TOTAL :	66	3,505	34.87	20.14	12.96
	KARNATAK DIVISION :					
1.	Belgaum District Central Co-op. Bank, Ltd. ...	18	705	8.47	4.13	2.25
2.	Bijapur District Central Co-op. Bank, Ltd. ...	11	515	6.21	1.67	1.74
3.	Kanara District Central Co-op. Bank, Ltd. ...	3	180	.69	.50	.26
4.	Karnatak Central Co-op. Bank, Ltd. ...	29	948	14.84	5.47	4.24
	TOTAL :	61	2,348	30.21	11.77	8.49
	Total of all Central Financing Agencies :	182	8,816	101.47	46.61	38.99
	Grand Total of All C. F. A. s.	245	14,069	160.65	60.62	64.25

BANK, LIMITED, BOMBAY.

Agencies as on 30-6-1952.

(Amount in lacs of Rupees)

Deposits	Other borrowings including Debentures	Total Resources	ADVANCES				Total Loans	Total Working Capital
			Societies		Individuals			
			Agrl.	Non-Agrl.	Agrl.	Non-Agrl.		
745.81	132.50	976.76	211.74	224.72	6.79	57.65	500.90	1,217.62
58.64	5.00	69.73	22.80	8.76	...	...	31.56	72.03
23.21	.64	4.16	2.22	.13	.32	...	2.67	4.26
1.262	2.00	30.33	9.43	5.25	1.00	3.52	19.20	32.63
49.08	25.00	87.60	34.93	11.16	.01	1.59	47.69	89.65
1.22	...	2.24	.65	.09	.73	...	1.47	3.16
.34	1.27	2.25	1.25	.26	.07	.20	1.78	3.48
33.54	4.00	44.55	3.90	24.21	.04	.44	28.59	48.98
2.31	1.89	5.19	.98	1.68	.01	.46	3.13	5.34
4.01	.67	6.56	5.16	.04	...	.34	5.54	6.88
7.82	...	15.03	3.71	2.63	...	.88	7.22	16.07
6.32	1.72	9.81	3.23	3.66	...	.85	7.74	10.17
179.04	35.00	235.16	16.54	76.40	6.11	14.25	113.30	244.43
366.79	77.19	512.61	104.80	134.27	8.29	22.53	269.89	537.08
14.32	...	16.66	3.96	.81	1.38	2.66	8.81	17.17
178.13	...	208.93	92.86	9.76	.38	15.71	118.71	216.09
14.98	7.61	25.72	7.57	1.40	3.31	1.33	13.61	26.98
118.47	24.13	152.86	47.43	18.36	.30	18.81	84.90	161.77
50.28	16.00	76.64	28.97	13.90	.09	7.25	50.21	78.68
11.89	1.50	16.69	5.06	.66	.05	5.83	11.60	17.45
9.97	2.00	14.51	4.56	1.25	.02	.43	6.26	14.57
20.69	5.00	30.14	7.02	.16	...	2.33	9.51	31.06
.74	2.21	3.74	1.86	.06	...	.66	2.58	3.86
419.47	58.45	545.89	199.29	46.36	5.53	55.01	306.19	567.63
88.71	10.01	175.39	21.96	18.67	...	21.93	62.56	181.10
45.73	15.08	8.67	17.82	17.66	...	4.44	39.92	117.44
7.22	...	70.43	.86	1.50	.10	1.09	3.55	73.81
135.84	15.00	113.57	52.67	22.09	...	15.16	89.92	9.03
277.50	40.09	368.06	93.31	59.92	.10	42.62	195.95	381.38
1,063.76	175.73	1,426.56	397.40	240.55	13.92	120.16	772.03	1,486.09
1,809.57	308.23	2,403.32	609.14	465.27	20.71	177.81	1,272.93	2,703.71

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